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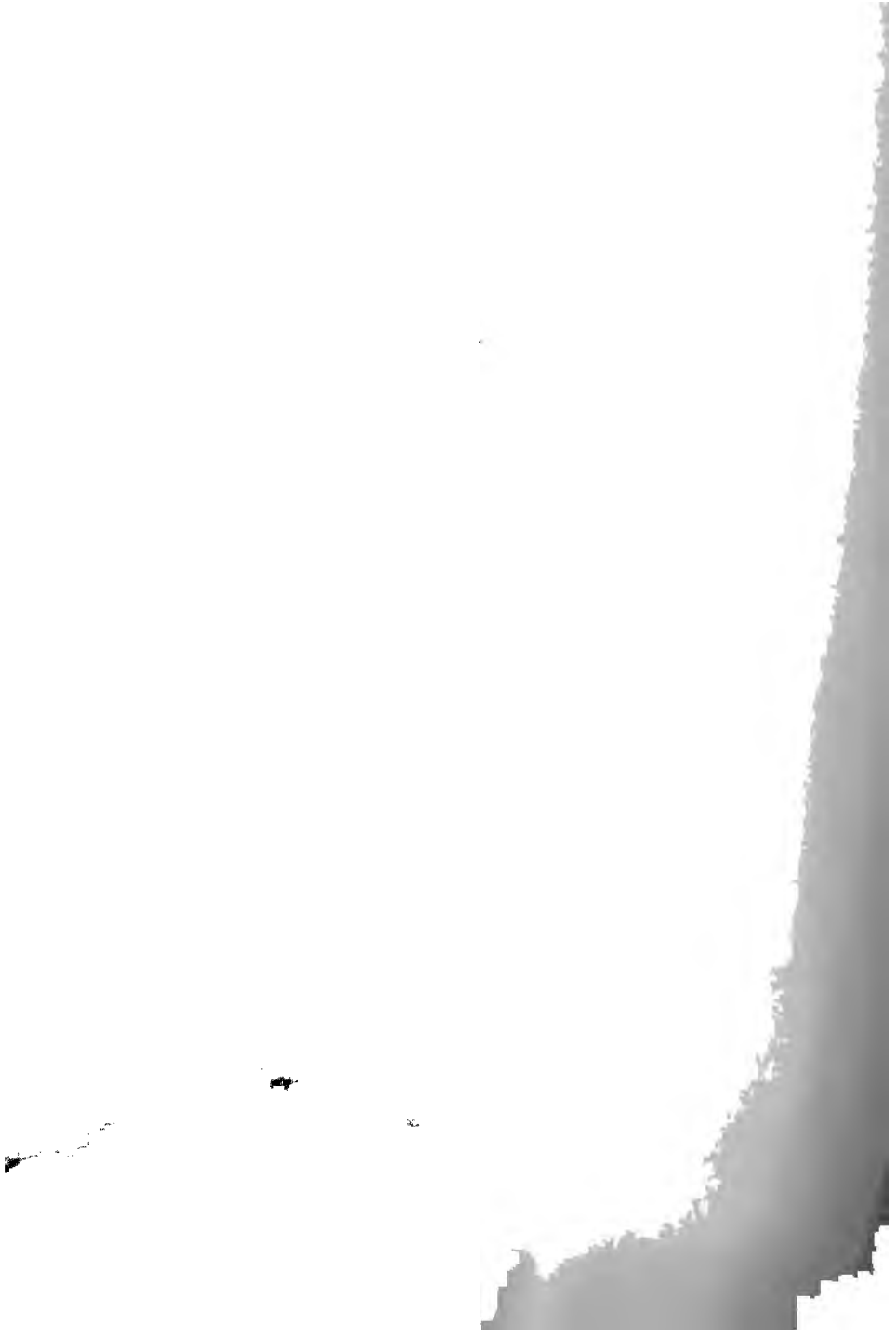
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GOVERNMENT CONTROL OF THE MEAT-
PACKING INDUSTRY

HEARINGS

BEFORE THE

COMMITTEE ON AGRICULTURE AND FORESTRY
UNITED STATES SENATE

SIXTY-FIFTH CONGRESS

THIRD SESSION

ON

S. 5305

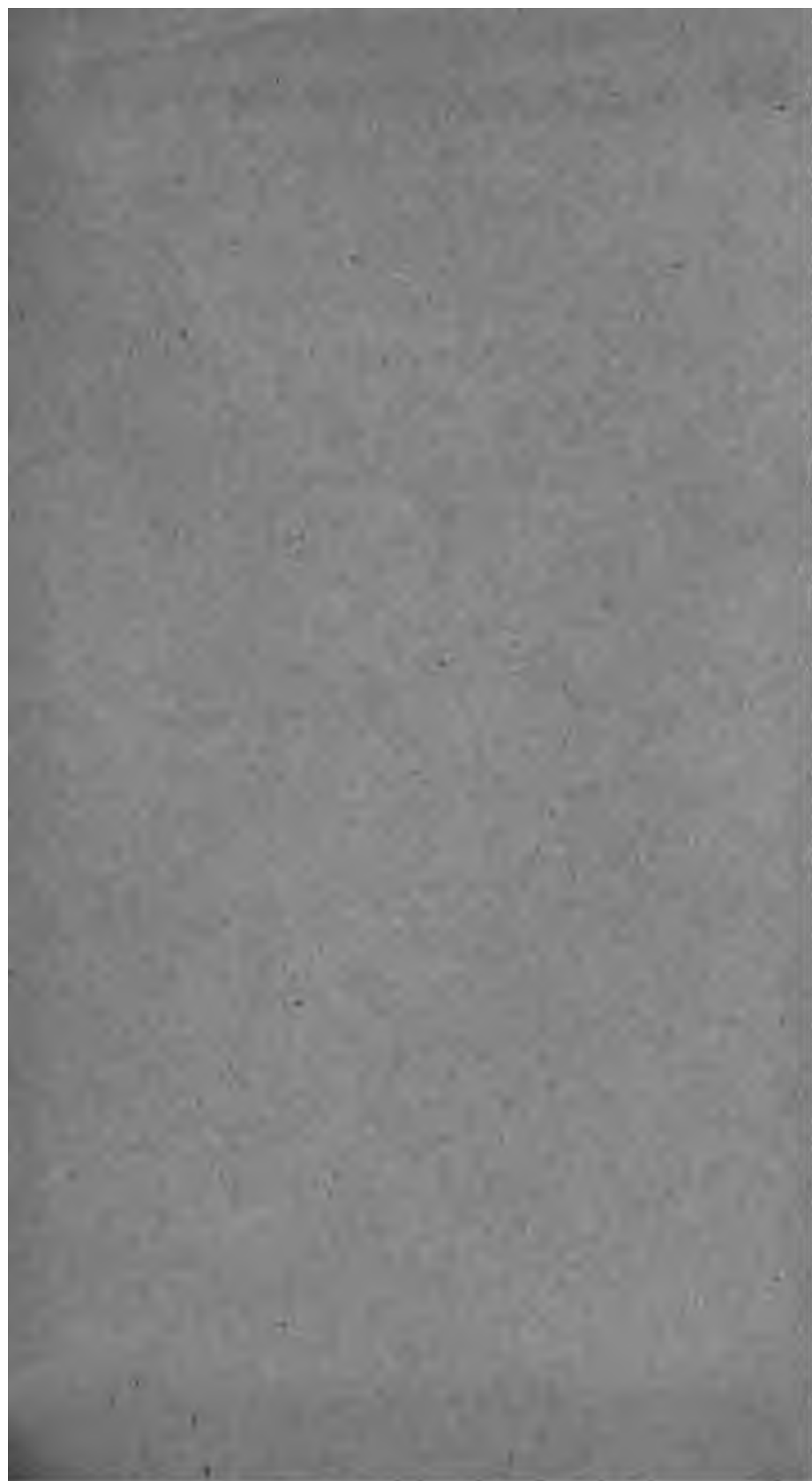
A BILL TO STIMULATE THE PRODUCTION, SALE, AND
DISTRIBUTION OF LIVE STOCK AND LIVE-STOCK
PRODUCTS, AND FOR OTHER PURPOSES

PART 1

Printed for the use of the Committee on Agriculture and Forestry



WASHINGTON
GOVERNMENT PRINTING OFFICE
1919



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GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

MONDAY, JANUARY 13, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., Hon. Thomas P. Gore presiding.

Present: Senator Gore (chairman), Senators Ransdell, Kendrick, Page, Gronna, Norris, Kenyon, and France.

The committee thereupon proceeded to the consideration of S. 5305, which is here printed in full as follows:

[S. 5305, Sixty-fifth Congress, third session.]

A BILL To stimulate the production, sale, and distribution of live stock and live-stock products, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, whenever used in this act, the word "person" means an individual, a partnership, a corporation, or two or more individuals having a joint or common interest; the word "commerce" means commerce among the several States or with foreign nations, or in any Territory of the United States, or in the District of Columbia, or between any such Territory and another, or between any such Territory and any State or foreign nation, or between the District of Columbia and any State or Territory or foreign nation; the words "live stock" mean live or dead cattle, sheep, swine, or goats; the words "live-stock products" mean all products, including meat derived from live stock; the word "license" means any person licensed under this act; and any word shall import the plural or the singular, as the case demands. When construing and enforcing the provisions of this act, the act, omission, or failure of any official, agent, or other person acting for or employed by any individual, partnership, association, or corporation, within the scope of his employment or office, shall in every case also be deemed the act, omission, or failure of such individual, partnership, association or corporation, as well as that of the person.

Sec. 2. That no person, the amount of whose gross sales of live-stock products for the preceding calendar year shall have exceeded \$500,000, shall engage in or carry on any business of buying, selling, or shipping live stock or live-stock products in commerce unless he shall secure and hold a license, which shall be applied for and issued in accordance with regulations prescribed under this act.

Sec. 3. That no person handling live stock on a commission basis in or in connection with any stock yards which during the last preceding fiscal year ending June thirtieth handled more than ten thousand head of live stock shall engage in or carry on the business of performing services in commerce with respect to consignments of live stock to him unless he shall secure and hold a license, which shall be applied for and issued in accordance with regulations prescribed under this act.

Sec. 4. That every person subject to the provisions of section two or three of this act shall, within ninety days after the passage of this act, or within ninety days after he becomes subject to such provisions, secure a license thereunder, which shall become effective on and after the date of its issuance. Any person who, without a license issued pursuant to this act or whose license shall be under suspension, knowingly engages in or carries on any business for which a license is required under section two or three of this act, shall

be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$5,000 or by imprisonment for not more than two years, or both.

SEC. 5. That no licensee under section 2 of this act shall (a) engage in any unfair, unjustly discriminatory, or deceptive practice or device in commerce; or (b) charge an unreasonable price or rate in commerce; or (c) exact an unreasonable profit for any calendar year in carrying on his business in commerce; or (d) refrain from buying live stock for the purpose of unreasonably depressing the price of live stock in commerce; or (e) withhold from the market any live-stock products for the purpose of unreasonably enhancing the price of live-stock products in commerce; or (f) sell or otherwise transfer to or for any other licensee, or buy or otherwise receive from or for any other licensee, any live stock or live-stock products for the purpose of apportioning the supply or unreasonably affecting the price or creating a monopoly of live stock or live-stock products in commerce; or (g) conspire, combine, agree, or arrange with any other person to apportion territory for carrying on business, or to apportion purchases or sales of any commodity, or to control prices, in commerce; or (h) otherwise conspire, combine, agree, or arrange with any other person to do or otherwise aid or abet the doing of any act made unlawful by this section.

SEC. 6. That no licensee under section 3 of this act shall engage in any unfair, unjustly discriminatory, wasteful, or deceptive practice or device, or charge an unreasonable price or rate for his services, in commerce, in respect to any consignment of live stock to him.

SEC. 7. That whenever upon investigation it is found that any licensee is committing any act or practice in violation of section 5 or 6 of this act the Secretary of Agriculture may cause to be issued an order requiring such licensee to refrain or desist from the commission of such act or practice.

SEC. 8. That any licensee who shall willfully violate any provision of section 5 or 6 of this act or any lawful order issued pursuant to section 7 of this act shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$5,000 or by imprisonment for not more than one year, or both.

SEC. 9. That whenever, after due notice to the licensee involved and an opportunity afforded him to be heard in accordance with regulations prescribed under this act, it is found that such licensee has been convicted under section 6 of this act or has willfully violated an order issued pursuant to section 7 of this act, and, in addition, that the further conduct of such licensee of his business in commerce is likely to be injurious or detrimental to commerce, the Secretary of Agriculture may suspend the license of such licensee for a period not exceeding two years, which order, upon the request of the licensee or when otherwise found to be necessary, shall permit such disposition of the business or the stocks on hand as may be required under the circumstances.

SEC. 10. That the Secretary of Agriculture is authorized to investigate and ascertain the demand for, the supply, consumption, costs, and prices of and the facts relating to the ownership, production, transportation, manufacture, storage, handling, or distribution of live stock or live-stock products, including operations on and ownership of stockyards. For the efficient execution of the provisions of this act and in order to provide information for the use of Congress, it shall be the duty of any person, when requested by an officer or agent of the Government designated in accordance with regulations prescribed under this act, to answer correctly to the best of his knowledge, under oath or otherwise, as may be required, all questions touching his knowledge of any matter authorized to be investigated under this section, or to produce any books, letters, papers, or documents in his possession or under his control relating to such matter. Any person who shall, within a reasonable time prescribed by the officer or agent making the request, not exceeding 30 days from the date of the receipt of the request, willfully fail or refuse to answer such questions or to produce such books, letters, papers, or documents or shall willfully give any answer that is false or misleading, shall be guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$1,000, or by imprisonment for not more than one year, or both. Any information secured under this act, except secret processes or formulas, shall be available for the use of either House of Congress at its request, and the Secretary of Agriculture may cause such information to be published from time to time when deemed necessary.

SEC. 11. That every licensee shall keep such records and statements of account and make such reports or returns, verified under oath or otherwise, as

will fully and correctly disclose all transactions involved in his business, in such form and at such times as may be required under regulations made pursuant to this act. For the purpose of enforcing the provisions of this act, or of verifying any reports or returns made under this act, any officer or agent of the Government designated in accordance with such regulations may during the usual hours of business enter any place used by any licensee in his business and inspect the same, or any books, letters, papers, or documents relating to such business. Every licensee who willfully (a) fails or refuses to make full and true entries, or makes any false entry, in the accounts or records of his business, or (b) alters, mutilates, conceals, or destroys any such account or record, or (c) makes any false or fraudulent return or report required under this act, or (d) hinders, obstructs, or resists any duly authorized officer or agent of the Government in the performance of his duties under this act, or (e) violates any regulation made pursuant to this act, shall be deemed guilty of a misdemeanor, and upon conviction thereof shall be punished by a fine not exceeding \$1,000 or by imprisonment for not more than one year, or both.

SEC. 12. That no common carrier, including any railroad, express company, car company, or the owner or master of any steam, sailing, or other vessel, or the receiver, trustee, or lessee of any of them, shall deliver to or unload at any stockyards owned in whole or in part by any licensee, or by any stockholder, director, officer, employee, or agent thereof, any live stock which is in the custody of such common carrier in the course of transportation in commerce: *Provided*, That stockyards shall not be deemed to be owned in whole or in part if such ownership by such licensee or licensees, or by any stockholder, director, officer, employee, or agent thereof, or by any group of stockholders, directors, officers, employees, or agents thereof, is not in excess of 10 per cent. of the value of all stock, bonds, or other securities issued by the person conducting or operating such stockyards, or of the value of the property used in the conduct or operation of such stockyards: *Provided further*, That this provision shall become effective two years after the passage of this act.

SEC. 13. That in carrying out the provisions of this act, except section 15 thereof, the Secretary of Agriculture may make such regulations as he shall find to be necessary, and may cooperate with any department or agency of the Government, or with any State or political subdivision thereof, or with any person; and all returns, reports, and other papers or documents in the possession of any such department or agency relating to the business of any licensee shall be available to the Secretary of Agriculture.

SEC. 14. That the sum of \$300,000 is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, available immediately and until expended, for carrying out the foregoing provisions of this act, including the employment of such persons and means, the expense of such printing and publications, the payment of such rent, and the purchase of such supplies and equipment, in the District of Columbia and elsewhere, as the Secretary of Agriculture may find necessary.

SEC. 15. That the term "transportation" as used in the act entitled "An act to regulate commerce," approved February 4, 1887, as amended, shall be deemed to include refrigerator cars of efficient type or types approved by the Interstate Commerce Commission for the transportation of fresh meat. It shall be the duty of every carrier subject to the provisions of the act to provide such cars in number sufficient from time to time to accommodate the reasonable need therefor on its lines, and to furnish the same with due promptness upon reasonable request therefor and without unjust discrimination; and said carriers otherwise with respect to said cars shall be governed by the provisions of said act relating to transportation. The failure by any carrier subject to the provisions of said act to furnish any refrigerator car of efficient type or types, as herein described, upon reasonable request, shall be held to be a misdemeanor, and shall subject any such carrier, its officials or agents, any one or all of them, to a penalty of \$100 for each such refusal; and every day's delay thereafter shall constitute a new offense, subject to a penalty of \$100.

In carrying out the provisions of this act the Interstate Commerce Commission shall cooperate with the Secretary of Agriculture.

SEC. 16. That this act shall not be construed as repealing or limiting any other act of Congress, but shall be construed as an enlargement of, addition to, and extension of, all existing acts of Congress.

SEC. 17. That if any provision of this act, or the application of such provision to certain circumstances, be held unconstitutional, the remainder of the act, and the application of such provision to circumstances other than those as to which it is held unconstitutional, shall not be affected thereby.

The CHAIRMAN. This meeting has been called to consider what is known as the Kendrick bill, a bill which has for its purpose the regulation of the packing industry, or the emancipation of the producers from the domination of the packers. Mr. Heney is with us, and on account of his experience we are anxious to have the benefit of any suggestions he might be in a position to make.

Mr. Heney, state your full name and address, and then you may proceed in your own way, and we will ask questions later on.

STATEMENT OF HON. FRANCIS J. HENEY.

Mr. HENEY. I really have two addresses just now, and I do not know which to give, but I will say that my Los Angeles (Cal.) address is 1109 Title Insurance Building, and my New York office address is 26 Liberty Street.

I just got in off the train a few minutes ago, and I have not had any occasion to review of any of the testimony that I helped to gather since April, and if it would suit the convenience of the committee I would like very much to wait until tomorrow before making a statement, so as to have an opportunity to go over my notes, and so on. I think I could be of much more service to the committee if I might be given the opportunity to go over my data.

The CHAIRMAN. I can see how that might be.

Senator NORRIS. I would like to ask you, Mr. Heney, if you have examined the bills that have been introduced?

Mr. HENEY. One I have.

Senator NORRIS. The one known as the Federal Trade Commission bill?

Mr. HENEY. Yes.

Senator NORRIS. This is a different bill. I would suggest that you examine this bill in connection with it.

Mr. HENEY. I will be very glad to have a copy of the Kendrick bill.

Senator PAGE. Before you go, Mr. Heney. Mr. Chairman, what are we to understand is to be brought out at this hearing? Is it to be a hearing in which both sides come in and place before us the history of this contest, or is it to be what is known as *ex parte*?

The CHAIRMAN. Mr. Heney, of course, would not know anything about that. I will say, Senator Page, that I had a request this morning to have witnesses appear in behalf of the consumers, and also in behalf of organized labor. I told the party who preferred the request that if the packers desired to be heard, of course they would be heard; that they had a right to state their side of the case; that then if there was any occasion for others to appear in rebuttal, we would likewise be glad to have them do so, but that I did not see any necessity of this committee gathering accumulative evidence. So far there have been no requests come in from the packers, but if there are any we will be glad to hear them. So that we will be governed by the course of events.

Senator GRONNA. I think we all know that there have been complaints made by the packers to this effect, that they were not given an opportunity to be heard when the investigation which has been mentioned was made. Now, of course, I know absolutely nothing about the truth of that statement. I, as one of the members of this

committee, should like very much to have some of the responsible men from among the packers here, because, as Senator Page states, I would like to have knowledge on both sides.

The CHAIRMAN. That is undoubtedly to be desired.

Senator KENYON. By that procedure you always bump right into this immunity-bath system, that if they come before the Department of Justice, should prosecution be contemplated—I do not know whether there is any such intention—

Senator GRONNA (interposing). They could not have more immunity, Senator Kenyon, than they have had during the last 10 or 20 years.

Senator KENYON. The immunity bath let them out once.

Senator GRONNA. As long as they are not sworn I do not think that would make any difference. They can state their case the same as Mr. Heney does. He would not be under oath.

Senator KENYON. They were very anxious to get before the Federal Trade Commission.

Senator GRONNA. I think everybody knows my attitude on this question. But, at the same time, I want to be fair and the only way I know to be fair is to get the facts from the parties who are interested and who know the facts.

The CHAIRMAN. You are right about that. Here is the only point I had in mind, whether or not we should summon them on our own account or whether we should proceed on the theory of giving them an opportunity to be heard if they desired to be heard. Of course, if they wish to come they would have a right to come and we would all be very glad to hear them—I would—but I would not want to take any steps that would give them immunity in after prosecution.

Senator GRONNA. If you want my judgment on that, I think if they are given an opportunity to be heard it would not afford them any immunity, and we need not summon them.

The CHAIRMAN. That was the course I intended pursuing, if we should hear from them. I understand they are to be before the House Committee on Interstate and Foreign Commerce the latter part of this week, and that Mr. Shaw, representing the packers is here in the room. Mr. Shaw—

Mr. SHAW. I can not speak for the packers. I do not know when they will be here or whether they are coming at all or not. I have not heard anything in regard to that.

The CHAIRMAN. I am very glad you are here, Mr. Shaw, and we will charge you with notice that the committee will be very glad to hear them, save only the limitation that we would not want to bring out anything that would operate to give immunity. I do not know whether any prosecution is pending, and we have no right to assume anyway that they would want to evade it if that were true, but during the hearing and otherwise I am sure the committee would be glad to hear them, subject only to that limitation.

Senator KENYON. Of course, this bill is drafted on the theory of cutting out the evil without criminal prosecution.

The CHAIRMAN. Yes.

Senator KENYON. Unless they violate the license question.

The CHAIRMAN. That would be a future transaction.

Senator KENYON. So I do not believe a question of immunity is very serious, if they were sent a copy of the bill with the suggestion

that if they desired to appear we would be glad to have them and not to summon them.

The CHAIRMAN. Have them confine themselves to the provisions of the bill. I understand that the packers are to be before the House Committee on Interstate and Foreign Commerce, beginning the 20th of this month.

Senator PAGE. And can we be assured that there will be any combined action that will save duplicating the hearings?

The CHAIRMAN. I hope so, Senator. Of course, if they do go before the House committee the record of their hearings there will be available for the use of this committee, or if our committee, in addition to that, desires them to appear before this committee we will see that it is arranged.

Senator KENYON. If we wait until after that this bill will have no time for passage this session; we might as well face that. I do hope we can get a bill out this week. Is there not some way you can notify the packers?

The CHAIRMAN. Mr. Shaw is their representative. I was just speaking to him a moment ago.

Mr. HENRY. I suppose, out of deference to your request, we will not proceed this morning.

Senator KENDRICK. I would like to ask, Mr. Chairman, if it would not be possible to have that hearing in the afternoon?

Mr. HENRY. In the afternoon or the day following, if it suits the committee better.

Senator KENYON. I wish we might have it Wednesday morning.

Senator GRONNA. I suggest we meet Wednesday morning.

Senator KENDRICK. Mr. Williams, the Solicitor of the Agricultural Department, can come to-morrow, and I think it would be a good plan to have him come.

Senator NORRIS. Will there be any objection to the committee meeting to-morrow morning and hearing Mr. Williams? We can hear him to-morrow and Mr. Henry the next day.

Senator KENYON. Mr. Williams is going to deal with the legal questions, which is perhaps more important than the other.

The CHAIRMAN. Mr. Lasater is here this morning, and perhaps the committee would like to hear him.

Mr. LASATER. This committee, I think most of them, are thoroughly familiar with the situation, and I know you are busy men, and I would like to come on after the packers, if any rebuttal is required. I know most of this committee are so informed that in reality anything I could say would not be anything new.

The CHAIRMAN. That might be a very good arrangement, for the packers to come first, and then, if there is any occasion for rebuttal, of course that opportunity will be afforded.

Senator PAGE. Do I understand, Senator Gore, that these packers will have an opportunity to be heard?

The CHAIRMAN. Mr. Shaw is sitting over there, and he represents the packers, and I called his attention a moment ago to the fact that if the packers desired to be heard, they will be heard. [After informal conference with the committee.] Then Mr. Henry will come to-morrow morning and Mr. Williams Wednesday morning.

(Thereupon, at 11.05 a. m. the committee adjourned to meet to-morrow, Tuesday, January 14, 1919, at 10.30 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

TUESDAY, JANUARY 14, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10.30 o'clock a. m., Hon. George W. Norris presiding.

Present: Senators Norris (acting chairman), Kendrick, Gronna, Kenyon, and Wadsworth, jr.

Senator NORRIS. Mr. Heney, the chairman is not here, and we will proceed without waiting any longer.

STATEMENT OF HON. FRANCIS J. HENEY—Resumed.

Mr. HENEY. I would like to state, first, that since my arrival in Washington yesterday morning I have been asked to represent in this matter the Farmers' National Committee on Packing Plants and Allied Industries.

Senator NORRIS. Mr. Heney, the bill that we have formally before us is known as the Kendrick bill. There is pending also in the Interstate Commerce Committee the bill that was submitted, as we understand, by the Federal Trade Commission to the President.

Now, you were connected with the investigation made by the Federal Trade Commission, and we would like to have you go ahead in your own way, perhaps later referring to these bills, by pointing out to us what in your judgment the conditions are and what remedy ought to be applied in the way of legislation, if any.

Mr. HENEY. I can summarize it by saying that the evidence gathered by the Federal Trade Commission convinced me that the five large packers—Armour & Co., Swift & Co., Morris & Co., Wilson & Co. (Inc.), and Cudahy & Co.—have what is, in effect, a monopoly of the meat business of the United States, and have it so entrenched by similar control over other meat-producing countries that are tributary to the United States—I refer particularly to South America—that they are able to absolutely overturn the natural law of supply and demand in fixing the prices to the producers as well as in fixing the prices to the consumers.

My study of the evidence convinces me that the original instrument with which monopolization was accomplished was the getting control of the refrigerator car, which was invented some time in the seventies; and the first man of these five big packers to see the value of the refrigerator car—the immense value of it—was the elder Swift.

The value of the refrigerator car consisted in the fact that by this instrument you could save the freight on the shipment of live

stock and the shrinkage by slaughtering the cattle nearer the point of production and then shipping the carcass to the point of consumption—place of consumption.

As the business of the packers increased in shipping refrigerated meat gradually they found that they could destroy local slaughtering houses by shipping in refrigerated meat and selling it at a price far below the cost of production and of slaughtering and of overhead expenses, and they gradually did destroy local slaughtering.

They then found that it was important for them to own these refrigerator cars; they could not rely upon the railroad to give them advantage over competitors, which was of importance to have, and they increased the number of refrigerator cars that they owned until they now control something over 90 per cent of all the refrigerator cars.

Senator NORRIS. Mr. Heney, when they ship frozen meat in the refrigerator cars and put the local fellows out of business, you say they sold it at less than cost. Do you mean at less than cost to them?

Mr. HENNEY. Oh, frequently; yes. And to-day they are doing exactly that same thing. If a cooperative establishment or any independent establishment looks as if it might eventually amount to something substantial, Armour, Swift, Cudahy, Morris, and Wilson will take turns at selling meats below cost in the vicinity of the customers of this concern—one will sell below cost one week and another will sell below cost another week and another one below cost another week, and so on—they take turns at it. In that way they make it a losing proposition for even the raisers of beef, hogs, or sheep to do their own slaughtering through cooperative arrangement. They make less money, so that the producer gets less for his animals than he could get by selling to the packers direct, and naturally they have kept down the tendency toward cooperation and have destroyed those who did get into it or else kept them from becoming of any importance by size.

Senator NORRIS. And when they put them out of business they put the price up?

Mr. HENNEY. Oh, yes; invariably.

It does not result in any gain to the consumer in the long run. Not only that, but Swift & Co. adopted the policy—and I think it has been the policy of all of them in different sections of the country—but it was particularly noticeable in the New England States, of killing off local production, say, of sheep, where in New Hampshire—I am not so certain about Vermont, but I think Vermont also—and Massachusetts, where they raise sheep. Swift, who gained the great ascendancy in the New England States, probably as a matter of pride, because he had come from there originally—got control of all the New England States, and he put the price of mutton so low that he drove most sheep raisers out of business in the New England States.

Senator NORRIS. Are they still out of business?

Mr. HENNEY. Yes.

Senator NORRIS. Well, that meant, did it not, that to that extent there was a shortage in the supply of those food products?

Mr. HENNEY. Certainly; and the idea was not to permit them to be grown or raised in the vicinity of the large cities where Swift &

Co. were selling this refrigerated meat killed in Chicago, because the sheep raiser could afford to sell his sheep to local markets, and they in turn to slaughter them and sell them at a price lower than Swift could slaughter them in Chicago and refrigerate them and send them to New England.

I found in the files of Swift & Co. letters by their expert price man showing that it is not economical to ship cattle from St. Paul to Chicago to be killed, or from Kansas City to Chicago to be killed; that where occasionally they purchased more cattle in St. Paul than they wanted to slaughter there, and shipped them down to Chicago the surplus to be killed, they lost money, and they figured out exactly how much. I have forgotten the figures now, but it was more, as I recollect it than the amount they claimed as their total profit on a head of beef.

Mr. LASATER. It was 29 cents a hundred pounds?

Mr. HENNEY. Yes; that would amount to from about \$1.60 to \$190 per head as loss in shipping from St. Paul to Chicago for slaughter, and equally as much if not more in shipping from Kansas City, Omaha, Sioux City, or St. Joseph, and nearly as much from St. Louis, and they had the figures on the others. Which all goes to show that instead of the tremendous amount of slaughtering being done in Chicago, instead of that being economical for the people of the United States, as a matter of fact the slaughtering ought to be done at the point of production, or nearer the point of production; and many slaughtering plants scattered around at the points of production could produce this meat supply for the consumers at considerably less cost than it is now produced at; and that does not mean doing away with any of the by-products whatsoever, because they can be taken care of just as well at these outlying points as they can be in Chicago or Kansas City.

The business of the five big packers grew to be so tremendous in volume of shipping that they acquired a dominating influence over railroads; by diverting shipments from a particular railroad they could lessen its earning power to such an extent as to change its profits into losses, and there is one instance in the United States where they did punish a railroad, and my recollection is that they are still doing it.

It is admitted—shown by the evidence and conceded by the packers—that for many years they did have the benefits of rebates, and it was during that period, of course, when they were forging ahead and becoming the larger packers they were getting these rebates and using these refrigerator cars. They had such an economic advantage by the rebates and refrigerator cars that they gradually forged so far ahead of their other competitors that there was no chance for the others to catch up; and then in 1902, while there were still a dozen good packing plants in the country, and at a time when the Government had commenced to investigate the packers, and subsequent to the enactment of the Sherman antitrust law, which itself had grown out of the investigation of the packers as shown by a report of a committee of Congress, the three largest ones—Armour, Swift, and Morris—conceived the idea of merging all of the big packing plants and practically all of the packing plants in the United States into one concern, and they got the promise from Jacob Schiff, of Kuhn, Loeb & Co., of a backing of \$60,000,000 in the way

of a loan or floating their bonds. I do not know that the exact details as to how it was to be done were worked out until November of 1902. The representatives of Armour, Swift, and Morris went out, after agreeing on this merger, and bought up these plants, like the Hammond plant, which was one of the large ones and one of the most successful ones; and after they had bought up about a dozen of these plants, or a portion of the dozen, they got Sulzberger & Son—now Wilson & Co. (Inc.)—and Cudahy & Co. to agree to come in on the merger arrangement.

Then, in November, 1902, when they were prepared to consummate it and met in New York City for that purpose, Jacob Schiff advised them very unexpectedly that he could not let them have the money, because he saw—I do not know as he used the word “panic,” but the tightening of the money market coming on in 1903. And they stayed up all night with their attorneys trying to figure out how to get out from under, because they had joint notes of Armour, Swift, and Morris in bank to the extent of \$10,000,000, which were coming due in about 30 or 60 days.

Senator WADSWORTH. Mr. Heney, was this brought out in testimony?

Mr. HENNEY. Yes.

Senator WADSWORTH. About their staying up all night?

Mr. HENNEY. Yes; we had this all in testimony as I am stating it.

Senator WADSWORTH. Was it based on testimony before the Federal Trade Commission?

Mr. HENNEY. Yes; and I am not undertaking to state anything that is not based on testimony before them, or even anything that I did not bring out publicly, because, as I understand it, I am not at liberty to tell anything that I did not bring out publicly unless I am asked the question here before the committee.

So they went back to Mr. Jacob Schiff in the morning and told him that they had worked out a plan, and that he would have to help them on it, and that they had these notes in the bank for \$10,000,000, and that they had invested \$2,000,000 additional in cash—Armour, Swift, and Morris had—in the purchase of these plants, and that their plan was to merge them into the National Packing Corporation—that is, in a corporation which they concluded to give that name to—and that they would require \$15,000,000, \$10,000,000 of which was to be used in paying off these joint notes, which had been given as a part of the purchase price, and the balance as working capital, and they were to turn over the stock and bonds of the National Packing Corporation as security, and I have forgotten whether they were to personally indorse or not, but I think they were—Armour, Swift, and Morris.

Cudahy and Sulzberger & Sons declined to go in on that, and I infer it was because they did not feel that were in a financial position to do it at the time. I infer that from the facts and circumstances surrounding their business at the time.

Now, Henry Veeder testified at the trial of the packers in 1912, under oath, that they did maintain what were known as the “Veeder pool”; that he had a whole floor in one of the large buildings in Chicago rented in his name, two of the rooms occupied by his father’s law offices, the balance of them used for this sole, exclusive purpose of the three big packers and at times five; Cudahy and Sulz-

berger sometimes being in and sometimes one in and sometimes both in and sometimes both out; and that they had a meeting every Tuesday afternoon at which they agreed on how much meat they would ship into each of the cities in each district. They divided the United States into districts, and they maintained that for a number of years, and that had followed another pool they had had, called the Allerton pool, and Veeder was the statistician, according to his own statement.

The statute of limitations had run against this at the time he told it, because it had ended in 1902, in the spring of the year, and evidently it ended at the time the Government was getting very energetic in investigating them. It was followed by an indictment, and they were given an immunity bath by Judge Humphreys on the theory that Garfield had promised them that they would not be prosecuted if they gave certain information at the time the Garfield investigation was being made.

But in November of that same year that he claims this criminal conspiracy, which it unquestionably was, which had been going on for years, had been abandoned—in November of that year the National Packing Corporation was completed, and the very same men and each and all of the same men who sat in for years on this Veeder pool continued to meet as members of the board of directors of the National Packing Corporation for 10 years thereafter down to 1912, in the same place, Henry Veeder's office, on the same day, at the same hour, to wit, Tuesday, at 2 p. m.

Now, Swift & Co. has issued a statement in reply to the Federal Trade Commission, and in it they admit that the rebating used to be done; they admit that the Veeder pool operated in effect as I have described it; they admit that those directors of the National Packing Corporation held these meetings as I have described them; they admit that they were buying beef, sheep, and hogs in all the stockyard centers in the United States on a percentage basis at that time, and that they have continued to buy on almost identically the same percentage basis from that date to this. Here is their admission in print [witness produced a pamphlet].

But they undertake to explain that does not mean anything.

Senator KENDRICK. To how recent a date did that arrangement continue—until 1912?

Mr. HENRY. Until 1912 the board of directors met until—they were indicted in 1910—and in November, 1911, or December—I have forgotten which—the trial of the packers commenced in Chicago, and it ended early in March of 1912 with an acquittal.

Then, in the summer the Attorney General was threatening to bring an injunction suit, and the five big packers consented to dissolve the National Packing Corporation without the suit, which he threatened to bring for that purpose. So they did dissolve. They got together and divided up the properties of the National Packing Corporation, consisting of these dozen or more packing plants they had secured, in such a way as to preserve just as nearly as possible, as closely as possible, the previously existing proportions that each one had in each one of these different districts. So that if there were two plants that the National Packing Association had in New York City, in order to give the same ratio of business to Morris and Swift as compared to each other that they had before they acquired these

plants, and their interest in the plants was in proportion to the capital of each—their ownership in the National Packing Corporation was in proportion to the capital of each, and in order to preserve that same ratio of business they would give one plant to Armour and one plant to Swift in this same place, or up here in Boston, where Swift had always had the advantage, he would insist on the plant there that was the largest going to him, so that the map would not be changed and that the balance of power would be preserved and none of the spheres of influence would be changed.

That was carried out and resulted in this, that their percentage of purchases of cattle, sheep, and hogs all over the United States each year for 10 years thereafter, or from 1912 to the present time, has been within less than 1 per cent of the same for each of them as it was before.

Swift points out in this pamphlet that there has been a slight change in his favor in regard to the cattle purchases, but he does not point out how that comes about. If one of these big packers acquires an independent concern that has been purchasing cattle in a place, he thereby takes with it the right, as among the five big packers, to purchase the additional quantity which that independent concern has been purchasing; and they recognize among themselves the fact that the map of the United States has been made and was made in 1902, in so far as the right to purchase is concerned, and this is evidenced by some correspondence between Tom Wilson and Arthur Meeker as late as 1916, since Wilson became president of Wilson & Co. (Inc.), which is Sulzberger & Sons. Tom Wilson, it seems, had sent a representative into Omaha, where the Wilson company have no packing plant and Sulzberger & Sons had no packing plant, whereas the other four big packers each have a plant there. Wilson sent his representative in there to buy some hogs, and thereupon Arthur Meeker wrote him and protested against Wilson & Co. destroying the balance of power—I am not using his language—by coming into Omaha and purchasing hogs. He said, You have no right in there. It is true that Sulzberger & Sons did buy hogs there a long time ago, but they bought under cover, through Red Murphy, a speculator, who shipped them out to the junction and reshipped them under fictitious names, and when we discovered they were going to Sulzberger we complained about it, and he at once stopped it; and I do not see what right you now have to buy hogs in Omaha based on the fraudulent conduct of your concern years ago.

Senator GRONNA. May I ask a question there, Mr. Heney?

Mr. HENNEY. Yes.

Senator GRONNA. That would indicate that an agreement has been reached to apportion the amount of stock to be purchased by these men. What did you find with reference to purchases made by these packers when individual, independent shippers shipped to the yards? Would the same rule apply in the yards where there was a great deal of stock being shipped to Chicago and to other markets by independent shippers that seek to buy a certain amount?

Mr. HENNEY. Yes. You understand this percentage is not the percentage of all the cattle that came into the yards. They maintain this percentage of the total cattle bought by the five—the ratio—so that if 5 per cent of the cattle that came into the yards during the year are purchased by independent shippers who buy and ship away, or

by small slaughtering plants who buy to slaughter, the other 95 per cent is divided up on these percentages, so that, say, 39 per cent to Swift, so many per cent to Armour, and so many per cent to each of these would make up 100 per cent of the 95 per cent—of the balance.

The result is that if about 5 per cent is all that is being taken by outsiders, the five big packer buyers hold back if there is a big run of cattle in the morning and do not go out to buy. That has been one of the complaints of the cattlemen—they will come out late. Instead of coming out at 8 or 9 o'clock in the morning to the pens to buy, the five representatives of the big packers will hold back and come out about 11 o'clock in the morning.

In the first place, they buy cattle and hogs on the fill; that is to say, the cattle are fed early in the morning and allowed to drink all the water they will drink, and after being shipped in on the train and being without water for perhaps some little time, they will fill up on it, and that adds to their weight a substantial number of pounds. If they do not get them to the scales until 12 o'clock or after, a large part of that fill has gone. In the first place, the change of water invariably acts on the cattle so as to scour them, and the result is that the cattlemen lose by that delay as to time of purchasing in the morning. Within the past few months the five big packers have agreed with the Chicago Live Stock Exchange that the buying will start at 9 o'clock in the morning. This concession has been made by the packers as a result of the present agitation.

If there is a tendency toward a rise in the market and the five big packers hang back on account of some of the independents wanting more, or somebody wanting to make a shipment to somewhere else, or a trader who buys there and ships to another market—he may represent concerns in half a dozen different smaller towns, smaller concerns, and he is buying, and he is a trader himself, buying there in the stockyards, and then he ships out to these smaller concerns—if there is any indication of a liveliness in buying, the buyers for the five big packers hang back and come out later. In the meantime these independents have bought what they want, their needs are quite limited as compared with the total amount; and then the big five representatives come out, and there is nobody to compete with, and the balance is to be taken on the proportions they have been maintaining all these years.

And then if there is a buyer who comes around and “butts” in on them, as they call it—and that is what Magivny, up here in charge of the St. Paul stockyards, calls it, where he said that Mike Cudahy's concern; another Cudahy, anyhow, a small concern, a relative of those other Cudahys—comes in there and buys hogs, they go in and run them up on him and teach him a lesson and “burn his fingers.” And then the commission men there complained—and I secured a considerable amount of testimony on this at St. Paul—that they were warned by the buyers of these big concerns that they must not sell to an independent until Armour and Swift were first given the chance to purchase. The big five were not all buying in St. Paul, but Swift and Armour have been buying there right along, and Swift had the big plant there, and Armour had one at Sioux City, and Swift did not have any at Sioux City; but they finally rearranged the map, and Armour got into St. Paul and Swift went into Sioux City at about the same time. And that time they each received quite

a bonus. Armour received a big bonus from the chamber of commerce in St. Paul to come in there, on the theory that they were going to have a much better market by having this other big man in there—\$500,000; and he split the \$500,000 with Swift on the side, and exacted from Swift a proportional interest in the stockyards and in the stockyards bank. You know, they do not let anything get away from them, not even the dead animals.

These commission men said that if they sold to an independent without first giving the big packers a chance to look the cattle and hogs over and determine whether they wanted them or not that they were penalized thereafter for a while by the buyers of the big packers walking right by their pens and not looking at what they had. They said: "You sold to those independents before. Now, find a buyer among them. We do not want your stuff." And the result was that the commission man would not again sell to an independent until he had first given the big packers' representatives a chance to buy, and then he might not sell after the big packer had made a bid. If he did not want to accept that bid, he was given to understand that he must not sell to any independent unless he got at least 25 cents a hundred more. This is at St. Paul, and that was a little more than to cover the freight from Chicago.

If a shipper ships into a market like Kansas City from west of there, and he is not satisfied with the price in Kansas City and reships, the big packers wire on, and he gets a bid from one, and he seldom gets a bid from more than one, if the others know it, and they usually do; it is an accident if they do not. And if he reships, the fact that he has reshipped, even though he does it under an assumed name and ships to a commission man, that fact is telegraphed on immediately.

If he splits that shipment and sends part of it to Chicago and part over to St. Joseph or St. Louis, that fact is telegraphed on, and the packers have an arrangement by which—that is one reason they want to own the stockyards—they keep the books; they control the terminal railroads; they have the check on the reshipping. They know what pens they came out of, and therefore exactly whom they belong to, notwithstanding the use of a fictitious name. And so they wire on to Chicago and to St. Louis or wherever it is the reshipment is made to, advising fully that this man had his cattle there; that Armour bid so much for them; that he has reshipped; and when they get to Chicago the complaint is they never get a bid from anybody but the one who bid at the other place, and then it is either the same bid or lower. If it is the same bid, he is out his freight, plus his shrinkage, and, of course, if it is lower, he is out still more.

If a man ships in the first place to three or more places, they manage to get that information, and it is very systematic, the way in which they do it, and they wire that information, and then they will bid up a better price at the market they want to induce him to ship the balance of his cattle to, because usually when he ships to several places he does it with the idea of finding out which place is the better market at the time. He may ship a few cars to each place, and he may have 10 trainloads yet to ship; he may be a big operator. It is the big operator who tries to do these things. The big packers admitted in 1916, after the Borland resolution was introduced in the House, down at the cattlemen's convention in Texas, that they used

to do that, but they said they had reformed. But I found on Swift & Co.'s files, I think it was, about 200 telegrams that were recent, where they had done it within the preceding two months, and I made this public in Kansas City, and many cattlemen were there who were returning from a convention down in Texas, and they were very disagreeably surprised to learn how it was still being done.

Swift & Co. get over 2,000 telegrams a day from the stockyard centers, telling them exactly how many cattle, how many sheep, how many hogs have come in, how many are bought for Armour, how many are bought for Wilson, how many are bought for Cudahy, and each of the others, and what prices are paid, what the grade is—all the information that they could possibly ask for.

Senator GRONNA. Mr. Heney, the Congress appropriates quite a sum of money for the use of the Department of Agriculture to publish daily reports as to the number of cattle and where they are located. Did you find any telegrams in your investigation from the Department of Agriculture giving information as to where these cattle were and the amounts?

Mr. HENNEY. No. But the packers know so much more than the Department of Agriculture to-day that that would be a joke, Senator, and they know it so much sooner; they control the sources of supply of information from which the Department of Agriculture gets its information.

Senator GRONNA. In other words, may I ask this question, then: Did you find any telegrams from Swift & Co. or from any of the packers going to the Department of Agriculture?

Mr. HENNEY. No. The evidence gathered by us and the correspondence between the attorneys for the packers and their principals, in regard to the Department of Agriculture, convinced me that in the Agricultural Department, in connection with the marketing end of it, that the viewpoint of those who are running it is so satisfactory to the packers that the packers would be very glad to put all the control possible that has to be given anywhere—if they find they have to submit to something, that is where they would like to put it. I have some of the correspondence here with me relating to that. If anybody questions the conclusions in regard to it I would be very glad—

Senator NORRIS (interposing). I think we will want that correspondence and a good many things like that. But, I suggest, as near as you can, you better go on in your own way and we will question you afterwards in regard to it, unless we want to ask you questions in the meantime as we go along.

Mr. HENNEY. All right, Senator.

We found that the commission men who are supposed to represent the seller only, the producer only, are so situated on account of the packer control of the stockyards, which means the control of the buildings in which the offices are, which would not be so important, because a man could have his office outside, but also the control of the pens and the assigning of the pens, that the commission man is absolutely intimidated, he is afraid to call his soul his own—and I am speaking generally, of course, because here and there there is a man—and it is only here and there—I could count them on one hand, the number of them that I came in contact with, who is inde-

pendent, and among those is a Mr. E. W. Houx, in Kansas City, the president of the Kansas City Live Stock Exchange. That man, by the way, is financially very well off; his firm have been big commission men for years in Kansas City, and are recognized as what we call wealthy.

Senator WADSWORTH. What is the name of his firm?

Mr. HENRY. I have forgotten the name of his firm.

Mr. LASATER. It is the Drumm Commission Co.

Mr. HENRY. But who dared to speak out?

And here is what happened: By having the assignment of the pens, if you will go into the Kansas City stockyards, or if you will go into the Chicago stockyards, any of these large places, those of you who have not been there will be amazed to find the extent of them, the area they cover—miles and miles of alleys running down through these pens. Of course there is one entrance on one side where the buyers come in and go through these miles of alleys—and by “buyers” I mean the traders, speculators, and the packer buyers. They have rules there in regard to not interfering with a buyer when he is at one pen, that a seller must not go and try to take him away from that fellow; and the big packer buyers never butt in on each other and make an offer, therefore the location of the pen that the commission man has, or the pens he has, is of almost as much vital importance comparatively as the location in the business center of a large city for a business is. The question is, which particular place in Washington, D. C., has the largest number of people passing by it in the course of a day, from one end of the year to another—that determines the rent. These pens are valuable in that same way, although not in the same degree, and the assignment of the pens is in the hands of the packers who are the buyers.

Senator NORRIS. Is that because they control the stockyards?

Mr. HENRY. That is because they control the stockyards, absolutely, Senator.

Senator NORRIS. If they did not control the stockyards they could not control the assignment of the pens?

Mr. HENRY. That is right. And Swift & Co. say they only went into the securing of the stockyards because they wanted to improve the service, and they very reluctantly, you would think, went into it. As a matter of fact, it was a “skin game,” if you will pardon the slang. They went into each one of these things for the money there was in it, and each one is jealous of the others’ control of the yards, because of the money; and I remember of an instance that Mr. Lanigan telling me how he came to Chicago with a shipment of cattle—a trainload—years ago, and it was on a holiday, and that Nelson Morris—there was nobody out at the yards to buy—and Nelson Morris said, “I will take you out there myself and look your cattle over.” And Nelson Morris drove him out in a buggy—it was before the days of the automobile—and bought his cattle and gave him the market price, with just a little edge on it, and said, “Now, what do you want to ship to Chicago all the time for, Lanigan?”—he was a Texas cattleman. “You know I do not own any interests in the yards here, but I have yards in St. Louis, and if you will ship everything you have there I will always take care of you.” And Lanigan said, “I did ship there after that, and he always did take care of me up to the time of his death, and because of my shipping there

and being such a large shipper many other Texas men followed my example, and I always got the advantage of it." And he laughed and turned to a big cattleman who was sitting there in the dining room, and he said, "Don't you remember?"

Mr. LASATER. I was present at that conversation you refer to. It was not Lanigan. I will give you the name of the man in a minute. Lanigan was present, but it was the other man who made the statement. You have made a mistake. Lanigan is not that kind of a man. I will give you the correct name in a moment.

Mr. HENEX. There were five of us—myself and four cattlemen—sitting at the table when this story was told. So he said that for years and years afterwards, up to the time Nelson Morris died, he always shipped there and always got a little advantage at that market for his cattle, and he knew as a result if there was a fall in the market he got a price actually far above what the other man got, although his cattle were not nearly as good. But when old man Morris died his boys did not recognize that any more, he said, so that he is now strong for regulation and control of packers.

As an indication of what these stockyards are worth—

Mr. LASATER. Mr. H. M. Stonebreker was the man.

Mr. HENEX. That is right, Mr. Stonebreker was the man who told the story, and Mr. Lanigan was present. Thank you, Mr. Lasater.

The packers have publicly proclaimed far and wide for years that no one of them owned any interest in the stock of the Chicago yards. The stock of the Chicago yards originally belonged to Vanderbilt and other owners of the New York Central.

But in 1891 a Boston banker by the name of Prince conceived a reorganization scheme and got some English capital in with him, and organized a holding company and undertook to get hold of the terminal railroad and stockyards at Chicago—they are all one—one company owns the whole thing; and he did get it, and, as he tells it, he received a promotion fee of, I think it was, \$1,500,000 in stock of the New Jersey holding company. That New Jersey company owns all the stock of the corporations that operate the stockyards and the junction railway.

At that time, Armour, Swift, and Morris threatened to move unless they were given a bonus to remain there, and they had acquired some property over in Indiana, where they threatened to build stockyards of their own. Prince arranged with them an agreement by which the New Jersey company paid them a certain amount per year which aggregated \$3,000,000—and interest at 5 per cent. It was to be \$300,000 a year for 10 years, as I recall it. That would run it down to 1900—it seems to me it was a little later than that; I may not be exactly right on my dates. No; I recall now that the arrangement, finally consummated in July or August, 1892, was to give \$3,000,000 in income 5 per cent bonds to Armour, Swift, and Morris to remain 15 years at the yards and buy all their stock through the yards for their Chicago packing plants. These bonds and interest were paid in full by the New Jersey company, and the arrangement expired July 1, 1907.

They paid that bonus right along. They also paid a bonus of \$300,000 in bonds to several of the smaller packers there. Then when the 15 years were up, of course, Armour, Swift, and Morris wanted to continue to get this bonus, and they commenced agitating again for

it, and they had meetings of the representatives of the New Jersey corporation and representatives of the packers, and finally it was agreed—or the attorneys for the New Jersey company kept saying that they did not think they could legally give it; that it amounted to a rebate on account of the Interstate Commerce Commission having control of the railroad, and so on—this junction railroad. The same company owned both the railroad and the stockyards, and they had leased to a separate corporation the operation of the railroads—leased the railroads to it—and the amount it was paying was the entire net profits from the operation of the junction railroad.

So then the lawyers agreed to get up a test case—Pfaelzer & Sons, and have the stockyards company that was operating only the stockyards agree to give \$50,000 to Pfaelzer & Sons with which to erect a modern plant; and then take that into court, and test it out as to whether or not it was legal, and, if so, then they would make a new arrangement with Armour, Swift, and Morris in regard to continuing the bonus.

So they took it into court and the Supreme Court of the United States finally held that it was in effect a rebate from the railroad, that inasmuch as this separate corporation was only leasing the road and paying as the rental the entire net profit, and that the New Jersey company owned all the stock of both the Junction Railroad Co. and the Stock Yards Co., that it was sacrificing substance to form to say that that was not a rebate by the railroad company.

In the meantime before the decision was handed down Prince conceived a better scheme—he had quite a substantial amount of common stock himself in the New Jersey corporation—he was the largest single stockholder, which does not mean that he had anywhere near a majority, however, because he did not have; it was largely the stock which he had received as a promotion fee in the beginning—and he conceived the idea of getting a majority of this common stock, and then making an arrangement with the balance of the stockholders of the common stock, and of taking in Armour, Swift, and Morris on the deal, and of having another holding company and to give a sufficient amount of stock to Armour, Swift, and Morris of this new holding company so that their dividends would amount to just about the same as the bonus they had been getting on this \$300,000 a year proposition for 15 years.

In figuring out that scheme they found they had a surplus of some millions of dollars in the treasuries of the Junction Railroad and the stockyards company and the New Jersey Co., and they figured out a scheme by which they could reimburse themselves for all they would pay for this common stock by passing this surplus fund over to themselves by causing these companies to declare extra dividends; and this scheme they carried out completely. The plan in black and white was in a safe-deposit box of Prince in Boston, and we secured both the original stenographic notes and the transcript thereof by the man who had taken it down.

The packers claim that Swift and Morris never got their share—whether they did or not we have never been able to determine—but that Armour got his share, 19.4 per cent; we got the absolute proof of this and subsequently the acknowledgment by Armour. But at the time of the hearing of the Borland resolution, in April, 1916, which was after this had been done, and after Armour had this

ownership, and while it was standing on the books of Armour & Co. in an account known as the "J. Ogden Armour No. 4" account, Arthur Meeker stated before the Judiciary Committee, that had the Borland resolution under consideration, that neither Armour & Co. nor J. Ogden Armour had any interest in the Chicago stockyards. I got evidence which I think conclusively proves that Meeker knew all about it at the time.

Senator NORRIS. Meeker was the attorney?

Mr. HENEY. No, no. Meeker is one of the head men of Armour & Co.—a vice president.

Senator NORRIS. I think that ought to be shown here.

Mr. HENEY. Thank you.

Senator NORRIS. He was an officer?

Mr. HENEY. He was an officer, one of the vice presidents.

Senator NORRIS. At the time he testified?

Mr. HENEY. At the time he gave the testimony, yes; and the thing had been covered up and concealed, and they thought they had it covered up so that it could not be discovered by the use of a new device in this country, borrowed by a Boston attorney from London, a scheme called bearer warrants, and the scheme states that a corporation that has stock outstanding will, if the stockholders surrender their stock to the custody of the Treasurer of the corporation to hold it as trustee—have issued to him what they call a bearer warrant, which warrant has dividend coupons on it, and that bearer warrant can be transferred to anybody without endorsement, just handed around, and the way you collect your dividends is that on the day on which it is due you deposit it in a bank a few days ahead of time, anywhere you happen to be, the dividend coupon, and that is mailed by the bank to a specified bank in the town the corporation is doing its business, and that bank there pays the amount over, sends it out to this other bank, without knowing the name of the owner at all—the other bank does not need to know it, for that matter; anybody can come and deposit it in this bank. So that the officers of the company are able to swear that they do not know who owns the stock because the owner of the bearer warrant becomes the owner of the stock.

So when the Federal Trade Commission inquired of this corporation and the treasurer, Mr. Pegram, who owned the stock of the corporation, his reply under oath was that he did not know who owned the stock; and as a matter of fact he probably did not know.

However, Prince and Armour know, to say the least, because if they are stating the truth about it, they own the whole of it.

Senator NORRIS. If this warrant or coupon or whatever you call it should get into wrong hands, is there any way to stop payment on it—anything of that kind? Do they have any arrangement like that?

Mr. HENEY. They do not seem to have. Apparently they took the chances on that. That owner of the stock at the time the exchange was made—the books show that, but, as a matter of fact, these people had all this stock—and I had better tell about that—this is one of the most perfect swindling schemes I ever came in contact with—the one by which Prince and Armour obtained the ownership and control of the stockyards, and put millions of dollars into their pockets more than they ever invested, and knew they were going to get millions in their pockets before they ever put a dollar up.

As I say, this surplus of millions existed in these treasuries of these companies at the time the scheme was conceived, and Armour entered into an arrangement with Prince—and Armour only at that time—by which Prince was to have stockbrokers buy enough more of the common stock of the New Jersey corporation to make 51 per cent of the stock. The primary purpose of getting 51 per cent was to be sure that they could name the board of directors and the officers of the New Jersey company, so that this plan would work smoothly after they got it through, because they could have done with less than 51 per cent otherwise. Of course, they also knew that it would be a highly profitable investment in any event.

So they had the brokers, they having a list of the stockholders by reason of Prince's connection with the New Jersey company, who had always been a dominant factor in the New Jersey corporation—they had the stockbrokers send out to the different stockholders a letter, and the general form of the letter was that they wanted to buy his stock and were willing to give so much for it; they had a price they had set on it, and that if they did not sell it, that the chances were—I am only stating the substance of it—that the big packers would all move away from Chicago, and the stock would no longer be worth as much. It had been paying 8 per cent regular dividends per annum since 1891, when the New Jersey corporation was organized, and there was a tremendous amount of water in it at that time, of course.

And then the New Jersey company had preferred stock also, and that was paying its regular dividends—3 per cent dividends—but that has no voting power, so it did not count in this scheme.

By these false representations, because they were absolutely false, as shown by the correspondence—by these false representations they induced the common-stock holders of the New Jersey Corporation to part with their stock at this very inadequate price, when you take into consideration the surplus that there was on hand. And Armour and Prince invested a trifle over \$2,000,000, as I recall it, in getting this stock.

The balance of the scheme was then put into operation, which was this: It was advertised that a committee—and they put Richard Olney's name at the top of it because of his standing. I happened to meet Richard Olney the year this was done, was over at his home and visited there, and he certainly was not in physical condition to attend to any business of this kind.

Senator WADSWORTH. What year was this, Mr. Heney?

Mr. HENNEY. This was in 1911, as I recall it.

That a committee had a plan—it did not state what the plan was, did not outline it enough so that you would know anything about it—and that this committee—the committee's names were familiar in New England States to people there—had a plan and that if the holders of the common stock would file their consent to the plan and put their stock up, that a corporation would be organized which would have none of the present stockholders in it and which corporation would guarantee 9 per cent dividends on that stock of all those who consented to the plan.

Now, it had been drawing 8 per cent all these years, and they would guarantee 9 per cent; and that they should also have the privilege of exchanging that stock for bonds of this corporation that was

to guarantee the 9 per cent, and get \$200 in 5 per cent bonds for \$100 par value in stock, which would mean that instead of 9 per cent they would get 10 per cent on their investment or upon the par value of the stock that they held from that time on, which had been drawing 8 per cent.

The only security that this organization was to have for the bonds which it was to exchange was the stock which it would take at par for \$200 of its own bonds, except that it was to have \$1,000,000 capital.

So they organized that corporation, and I will refer to it as the "Maine corporation," because it was organized under the laws of Maine. They organized with \$1,000,000 of stock and they put the \$1,000,000 in, and three days or four days later \$100,000 of it was borrowed back from the company by Prince and a few weeks later most of the balance was borrowed back and loaned to Armour, so that the \$1,000,000, or at any rate the greater part of it, never remained in there a month, and a good portion of it did not remain three days. And I found a letter in the files written by the treasurer of the company to the treasurer of Armour & Co., Croll, saying that they thought it was a good scheme to leave the money in the bank for a little while, because it sort of gave a standing to the company; something to that effect. It was there a little while, a very little while.

They got all but three shares of the stock deposited, of the 49 per cent—the stockholders come in and signed this consent; and then when they came in to sign the consent they signed an agreement which said that they assigned to this Maine corporation that guaranteed the 9 per cent their right to all dividends in excess of 8 per cent in the New Jersey corporation which owned all of the stock of the stock yards company and the Junction Railway.

The Maine corporation then has this guarantee out: Armour and Prince exchanged a portion of their New Jersey stock for bonds at the rate of \$200 to \$100. They get \$2,085,000 of bonds for their \$1,042,500 worth of stock, which, as I recall it, had cost them slightly over \$1,800,000—not so very much more than \$1,800,000. It consisted of 13,000 shares at an average cost of about \$160 per share. Then they took the \$2,085,000 bonds and sold \$1,400,000 of them to the Stock Yards Co. and the Junction Railroad for cash at 90 or 91, something like that. They took the other \$600,000 of bonds of the Maine Co. and sold them to the New Jersey corporation for cash at about the same price. This cash came out of the surplus fund of each of these companies and the Maine Co. bonds took its place. That gave Prince and Armour back nearly all the money they had jointly put into the common stock of the New Jersey Co., and they still owned all of the New Jersey common stock that they ever owned, because they owned the whole of the Maine corporation stock, and it, in turn, was the owner of the New Jersey Co. stock which Prince and Armour had exchanged for the bonds of the Maine corporation.

But, in order to show you how they worked the balance of that—in the Maine corporation, in order to get the right to take all of this to Prince and Armour, they had the Maine corporation, the first day that it met, after all these people had signed this consent, pass a resolution that whereas a man named Pegram owned the right to the consent of the common stockholders to this guarantee, and whereas it was very valuable, and whereas they themselves appraised it at

\$7,000,000, resolved that they issue \$7,000,000 more stock and give it to Pegram in exchange for his right to this consent. He did not have any right in the consent at all, because the committees' plan had said that they were acting for the benefit of the corporation to be formed, which was this Maine corporation. Moreover, Pegram testified before the Federal Trade Commission that he owned no interest in said plan and merely did as he was instructed in this matter. Consequently, as the committee were the mere trustees of this Maine corporation it already owned this right to the consent of those stockholders to the plan. But they gave \$7,000,000 of stock to Pegram for it, and Pegram held it in his name as a mere trustee for Prince and Armour, and then finally it was put, a large part of it, in the name of Mrs. Prince; and then it was divided up into the names of other employees and covered up—never any of it in Armour's name and never any of it, or a very small portion of it at any rate, in Prince's name. Moreover, the so-called "Plan," assured the stockholders who were thus forced to give their consent to it, that no stockholder of the New Jersey corporation was to own any stock in the Maine corporation. Of course this was a false statement.

Now, after they had sold these bonds and got the cash back into their pockets, and were money ahead, they said, "What is the use of leaving those Maine Co. bonds in the surplus funds of the Stock Yards Co., the Junction Railroad Co., and the New Jersey Co.? And so they declared an extra dividend payable in bonds on this \$1,400,000 of Maine Co. bonds so held by the Stock Yards Co. and the Junction Railroad Co. and made it payable to whom? The New Jersey corporation, of course, which owned all of the stock of those two companies, so it was made payable to the New Jersey corporation or its order.

The New Jersey corporation's preferred stockholders had no interest in it and none of its common stockholders had any interest in it, because they were already getting their 8 per cent, and they were only interested in anything over that or over 9 per cent. So it was passed right through to the Maine corporation, and with the other \$600,000 of Maine corporation bonds in the surplus fund of the New Jersey corporation the same thing was done—a bond dividend was declared and it was passed back to the Maine corporation. So that this Maine corporation, in which Armour and Prince owned all of the stock, now had back its \$2,000,000 of bonds besides the stock of the New Jersey corporation, which it had received from Prince and Armour in exchange for those bonds; and Prince and Armour had the coin in their pockets, which they had received from the sale of these bonds, as well as still continuing to own the corporation that now owned these bonds and also still owned the stock in exchange for which these very bonds had been issued. This is obviously one of the few authentic cases on record where a man was able to "eat his cake and keep it, too."

Just before the Federal Trade Commission hearing—

Senator GRONNA (interposing). If I understand you correctly, Mr. Heney, the stock was increased from \$2,000,000 to \$9,000,000. Am I correct in that?

Mr. HENNEY. No; from \$1,000,000 to \$8,000,000.

Senator GRONNA. Very well.

Mr. HENRY. They gave \$7,000,000 of it to Pegram for something that the company already owned; that is, the right to that consent agreement of these 49 per cent stockholders—their consent that they would accept 9 per cent and waive or assign their right to all dividends in excess of the 9 per cent.

The purpose of that was they had this surplus they wanted to pass on through, which was over and above any earnings, amounting to 9 per cent, and all they had to do was to go around in this way and it landed there (illustrating). They knew that before they bought the stock that they were going to get back more than the stock cost them; that the surplus amounting to more than their total proposed investment was lying right there for them to take just as soon as they got their scheme worked out.

Senator GRONNA. I want to be pardoned for interrupting you, but we had hearings last year and the question of stock came up. The Federal Government, as you know, had taken control of the packing interests, and Mr. Cotton, of New York, a very able lawyer, was for us, and he was asked the question, How he arranged the profits for these concerns, and he made the broad statement that he based their earnings upon the money borrowed; and I think it is very significant that we should understand all these things, because the consumers will know why meat is high.

Mr. HENRY. Senator, the regulation of the packers by Mr. Cotton is a joke. They made more money under the regulations than they made in 1917, and Mr. Cotton told me himself on two occasions that their profits in 1917 could only be described by the word "scandalous."

Senator GRONNA. I am very glad to hear you say that, Mr. Henry, because that was my belief, and I practically said it last winter.

Mr. HENRY. I proceeded in the beginning—

Senator KENYON. How did he happen to be appointed?

Mr. HENRY. I do not know, Senator, but he was selected by Mr. Hoover. I would like to say this. I do not think that the world is divided into good and bad men, and I hope nobody will get that impression from anything that I have said in the past. I have abandoned prosecutions as being useless where there are \$100,000,000 involved. Senator Kenyon happens to know my viewpoint on that and was very much amazed to hear me state this away back in 1910. I do not believe you can convict \$100,000,000.

Senator KENYON. I have found out you could not, too. [Laughter.]

Mr. HENRY. You can not convict \$10,000,000 if the owner of the \$10,000,000 has two qualities—boldness and persistence. I mean by that that you can bribe one juror out of twelve ninety-nine times out of a hundred in a criminal case, and it is done when there is that much money involved, and I state that from an experience of 35 years of practicing law, and I think I have probably done as much prosecuting on a large scale—where men of importance were involved—as any one man in the United States, or who has ever lived in the United States; and I am not saying that boastfully, I am merely stating a fact.

And, consequently, I was not concerned with the question of prosecuting the packers at all; and I do not take any interest in it now, and I do not divide men into good and bad, and I do not think

our economic troubles come from that. Our economic troubles come from perfectly honest and frequently very intelligent men having a wrong viewpoint because they have learned something they ought to have unlearned. They think they know it, and they do not know it. It is like the political economy they teach in many of the universities. The first thing you have to do, if you want to understand political economy, is to afterwards unlearn all that you have learned, and start over again. I have sometimes said in public speeches that I thought I could make political economy so plain that even a professor of a university could understand it; and I am perfectly willing to be examined on my economic knowledge. [Laughter.]

Of course, a scheme such as I have outlined here now you can not describe as due to a man's viewpoint merely. That was a corrupt transaction.

For a moment let me direct your attention to what is involved in it. That Maine corporation is absolutely controlled by Prince & Armour, The Armour percentage being 19.4. Prince is not interested in running stockyards; he is not in the packing business, and he has been in quite a number of railroad reorganization schemes, and he said to me in Boston, "You know, I can not fight a man like Mr. Armour. He has too much money, and there are too many big financial interests back of him for me to fight with him." The substance of all he said showed very plainly that he permits Mr. Armour to run the stockyards, in so far as the policy is concerned, and, therefore, instead of it being a Prince & Armour ownership, with Armour holding 19.4, it is really an Armour ownership in the sense of dominion and control and direction of policies. The board of directors there for a while showed that, reflected that—the men they had on it reflected the fact that Swift and Morris were to be taken into consideration because they had members on the board.

Senator NORRIS. You mean Mr. Armour owned 19 and a fraction of the corporation?

Mr. HENRY. He owned 19 and a fraction of the Maine corporation, which controls the New Jersey corporation absolutely, selects its officers, directs its policy, and takes all of the earnings over and above the 6 per cent which goes to the preferred stockholders and 9 per cent to the common stockholders.

Senator NORRIS. Does Mr. Prince own the balance of the Maine corporation?

Mr. HENRY. Yes; he owns the balance of the Maine corporation so far as we were able to determine. We found that he had promised Swift and Morris their share, and in the proportions in which they shared in that 793 bonus that had gone before.

They want us to believe, and it may be true, that they swindled Swift and Morris out of their share and never gave it to them. But that is the best you can say of their present position—Prince and Armour swindled Swift and Morris out of what they had promised.

Of course, Swift and Morris have not—

Senator NORRIS (interposing). From your examination, did you reach that conclusion, that they had swindled them out of it?

Mr. HENRY. No; I reached the conclusion that they were about to turn it over to them. We got correspondence that showed where Treasurer Wadden was just about to carry the share of Swift and

Morris out there to them. The reason it was not done—either one of two things—they either concluded to swindle them or else they concluded it had better be left in the shape it was, so that in the case of an investigation it would not appear that Armour, Swift, and Morris owned the Chicago stockyards, because they had been proclaiming to stock raisers all over the country that this was the independent market.

That was highly important from another standpoint: The Chicago market makes the prices for the United States, and the aim of the packers is to keep it so, as shown by their correspondence, and to keep each of the other stockyard centers in line with Chicago on prices. If prices at Kansas City or St. Paul or at Omaha are not in line with Chicago, you will find a great deal of discussion and complaint among the five big packers in trying to whip them into line and straighten them out, and by being in line they mean that the Chicago price is the price for the country, and that at these other points they take into consideration the question of freight and deduct it.

Senator NORRIS. Did you examine these other packers as to their ownership, and, if so, what do they claim? Did they admit they had been swindled out of their share of it?

Mr. HENEY. No; I did not examine them.

Senator KENYON. Did there seem to be any bad feeling between the packers about it?

Mr. HENEY. Not a bit; not a bit.

Senator NORRIS. Mr. Heney, could you by any method of reasoning reach the conclusion that this one packer had swindled the other packers out of such an enormous amount and still remain on such good terms with them in regard to everything else?

Mr. HENEY. No, I can not; and I can not conceive that there would not have been letters upon the files of Swift & Co. which would have disclosed it, because Louis Swift and Edward Swift and the others are in the habit of writing letters to each other when they are in the next room, even. Instead of going in and talking they write a letter. I do not know that they will continue that practice hereafter, but they have been doing so; and they would send it to a dozen different people around, with initials on it showing to whom it went to. In one instance Louis Swift was trying to get control of Sulzberger & Sons.

Tilden had tried it originally away back in 1907, when the National Packing Corporation was running and was owned by Armour, Swift, and Morris. Tilden secretly bought out a man named Joseph who had an interest in Sulzberger & Sons. He was a son-in-law of Schwarzschild—Schwarzschild & Sulzberger then—and Tilden had a 10-year contract with Joseph that he was to remain vice president of Schwarzschild & Sulzberger as long as he could, and he was to let Tilden know exactly what was going on, and that if he lost his position as director and vice president of Schwarzschild & Sulzberger he and his son were to have a job where they would get as good a salary as they were getting with Schwarzschild & Sulzberger, in addition to getting a big price for their stock. And Tilden also bought out a brother-in-law of Sulzberger, and Tilden finally came within one or two shares, it is said, of having the control of Schwarzschild & Sulzberger.

But when Sulzberger found out that Joseph had sold out he dropped him from the board of directors and dropped him out as an officer. Then, a few months later Joseph went over to the New York Beef Co.—what is the name of that, Mr. Adams?

MR. ADAMS. The New York Dressed Beef Co.

MR. HENRY. The New York Dressed Beef Co., which had been organized by a lot of small slaughters in New York, and they had combined, and had put up a fine plant costing over \$1,000,000, and were attempting to be independent; and Joseph went to them and said, "I am out of Schwartzchild & Sulzberger now; and I want to get in some place; I want to get in with you people, and we will fight these fellows." And he got an option on a majority of the stock and got it for Tilden, of the National Packing Corporation, and got in as President of the New York Dressed Beef Co., and then they undertook to find out what Sulzberger was doing, and Joseph and his son as owners of a few shares of stock demanded the right to see the books of Schwartzchild & Sulzberger, and they had no statute authorizing it in New York; it fell under the common law, and they had to go into a court of equity and try and force it, and there they filed affidavits on both sides. If you can believe half of what is said on each side in those affidavits you can understand what rascality has to be resorted to in the packing business in order to keep your head above water with the big fellows.

The court denied admission to the books, because it was alleged on the side of Sulzberger that Joseph had sold to Tilden, and that this National Packing Corporation only wanted to see the books for the purpose of knowing the inside of their business so they could destroy them; and as a result of that when they could not get to see the books they finally exchanged this common stock for preferred stock—7 per cent cumulative preferred stock—and that was the burden that finally broke the back of Sulzberger & Co.

SENATOR NORRIS. Sulzberger & Co. was a competitor of these big packers?

MR. HENRY. Oh, yes. It was in a sense and at that particular period of time, the most important competitor of the other big four. Sometimes it was in a combination and conspiracy with the other four or with Armour, Swift, and Morris, and sometimes it was not.

SENATOR NORRIS. How did they put him out of business?

MR. HENRY. Well, in the first place, Swift got this stock, and then finally the preferred stock in exchange for that on the reorganization of the company, which was finally turned into Wilson & Co., along about July 1, 1916, when Sulzberger had a bond issue of \$8,000,000 coming due, maturing, and they were banking mostly with Kuhn, Loeb & Co., and in the summer of 1915 they made a deal with Kuhn, Loeb & Co. by which Kuhn, Loeb & Co. agreed to refund the \$8,000,000 of bonded indebtedness when it came due, in consideration of which they were to get \$9,000,000 in bonds—\$1,000,000 was to be their percentage for doing it, and in addition to that they were to have an option on a certain amount of stock at a very low price. In the fall of that year, however, a number of ships, of the big packers, loaded with meat—belonging to, I think, all five of the big packers, four of them at least—were seized by England. And in that seizure it appears that England found some papers on the ship which indicated that the contract with Sulzberger & Sons was with

a man, I think he was in Holland, but the English Government claimed, at any rate, to know he was an agent of the German Government, and so it was announced that they were not going to allow any more meat to come to England from Sulzberger. Finally Sulzberger & Sons' representatives were notified in England officially by the Government there that they could not ship any more meat to England.

During the time of the seizure England was borrowing money pretty heavily from the United States, and while the packers were complaining and wanting this meat surrendered to them, the bankers in Chicago were interviewed by the Examiner for publication, and I do not recall the names of all of them, but Mr. Forgan's name is running in my mind as one of them who gave out a statement of this kind: The statements were to the effect that the five big packers were so influential with banks in this country that England would not be able to borrow money here if she did not treat them right.

Of course, that may have been right from their standpoint.

I refer to that because I have reached the conclusion that the greatest menace there is in the present situation is the fact that 60 per cent of the common stock of Wilson & Co. (Inc.), is owned by three of the biggest banking groups in this country, and the potential power for evil, for monopolization in that situation is, to my mind, the greatest menace that there is in the entire thing.

Senator WADSWORTH. Was the Sulzberger & Sons permitted later on to do business with England?

Mr. HENRY. No; not until it became Wilson & Co., or, rather, not until the English Government was assured that Sulzbergers were out of the control.

Senator NORRIS. What I would like to have explained, if you can, is how did Sulzberger & Co. go out of business and become Wilson & Co.?

Mr. HENRY. That brings me back. Louis Swift commenced to try to get hold of the stocks of Sulzberger & Son to buy it up after this occurred, and he wrote one letter to Edward, I think it was, from New York, in which he said that he had offered \$5 a share for it, but Sulzberger was not willing to take that; and that the bankers talked as if they might give \$10; and he says, "I do not like to take Armour in on it, because he will demand that we make it fifty fifty," and I have forgotten whether it was in that same letter or not, but if not in that letter it was in another letter he said, when he was telling about the fact that the banks were going to take it over. It is too big a steal for Kuhn, Loeb & Co. to admit in the open.

Summarizing, what occurred was this: The banks (Kuhn, Loeb & Co.) had agreed to refund, but when the English Government said it would not permit any meat to come from Sulzberger & Sons, Sulzberger was notified that he would have to surrender control—notified by these banks. He complained in a memorandum book he kept that they did not make any complaint as long as the profits were coming from that contract, but that now this situation had arisen that they were treating him pretty badly as he saw it.

A proposition was made to merge Morris & Co. with Sulzberger & Sons and put Tom Wilson at the head of it, and these banks favorably considered that; and it was almost consummated, and, as I interpret what happened, it was only because the Borland resolution

was introduced that it was not consummated, because it was just then ready for consummation.

The Morrisses were to get a certain large amount of cash and a certain amount of bonds, and the banks were to get a large proportion of the stock.

When that merger proposition was dropped Tom Wilson was induced to take the presidency, my recollection is, at \$125,000 a year salary. They gave him \$1,500,000 in common stock outright, and made Sulzberger put up a certain proportion of that—I have forgotten how much—and gave Wilson an option on \$3,500,000 more stock at \$10 a share—and pooled all the stock of the banks and Wilson in a pooling agreement for five years, putting the voting power and control and representation in the hands of these three banking groups.

Senator NORRIS. What were the three banking groups?

Mr. HENNEY. Kuhn, Loeb & Co., represented by Halgarten; the Chase National Bank, which, as shown by the Pújo report, is a subsidiary of the National City Bank, of which, by the way, J. Ogden Armour is a director, and McRoberts, former treasurer of Armour & Co., a vice president and, as I understand it, the general manager; so the Chase National was known as the Rockefeller bank, as I get it.

Senator KENYON. Is that the McRoberts now in the Army?

Mr. HENNEY. Yes.

Senator KENYON. Making contracts?

Mr. HENNEY. Yes, the same one. He and J. Ogden are on very intimate terms yet, as shown by the correspondence in the files.

And the other was the Guaranty Trust Co., which was known as a Morgan institution. So that 20 per cent went to each; that is, Salomon & Sons came in with the Chase National Bank, but those are back doors, as I understand it, of Kuhn, Loeb & Co.—I mean Halgarten & Co. and Salomon & Sons are.

So you have there Kuhn, Loeb & Co. group, which was back of Harriman; you have the Guaranty Trust Co., the Morgan institution; and you have the Chase National, a Rockefeller institution.

That brings us back—you asked me about Mr. Cotton. Mr. Cotton was connected with the firm of Cravath & Henderson at one time—Paul Cravath—and, as I understand it, Paul Cravath was attorney for Sulzberger & Sons, and he was doing the negotiations which brought about this reorganization of Wilson & Co. (Inc.).

From Cravath & Henderson Mr. Cotton became a partner of ex-Senator Spooner, of Wisconsin, who, as stated in the papers at the time, resigned from the Senate to become attorney for Harriman; and the most important of Harriman's operations were financed by Kuhn, Loeb & Co. So that there is a very close relationship there, which undoubtedly still exists in a business way.

Senator KENYON. Where did Mr. Cotton get any experience there in the farming or in improving production?

Mr. HENNEY. He has none. And Mr. Cotton immediately called upon Dana Durand to formulate a program for him for regulating the packers. Dana Durand had been with the corporation commissioner at the time of the Garfield report and was responsible for that report—one of the writers of it—and, by the way, there is a chapter—5, I think it is, or chapter 6—that was written in that re-

port that shows the existence of this conspiracy among the packers, which, for some reason, was omitted from the report. It is up there among the files in the Federal Trade Commission yet.

Senator WADSWORTH. What was the date of that report?

Mr. HENRY. 1905. When the Borland resolution was introduced the big packers sent for Dana Durand and asked him to accept employment to appear as their expert witness before the committee, and he was then a professor in the University of Minnesota; and he said he did not think that he could do it, because the farmers in Minnesota would resent it, and also by reason of his connection as a Government official with the former report. It is commonly termed a white-wash report. And Tom Wilson suggested in their conference that it would not be a good idea to have Durand appear as their witness, but it might be a good idea to have some member of the committee who was friendly to them ask the committee to subpoena Dana Durand, and they could post this member of the committee as to what questions to ask him.

Dana Durand came to Chicago and said he could not do this, but he would go to Washington and see what the situation was. He came here, and reported back that he had interviewed friends of his among the Members of Congress; that he had interviewed his friends in the Bureau of Markets of the Department of Agriculture; and that he had interviewed his friends in the Federal Trade Commission, and particularly Francis Walker, who had helped in writing the original report in 1905; and then he reported as to his understanding of the situation.

Henry Veeder came down here and made an investigation and reported back that he had seen Mr. Hurley, who was then chairman of the Federal Trade Commission, and he had promised him that if an investigation was made that it would be without any public hearings and without attorneys being permitted to cross-examine witnesses, and that it would be an industrial investigation.

Senator KENYON. The investigation was not made as long as Mr. Hurley was chairman, was it?

Mr. HENRY. It was not. The packers did not want to appear at these hearings and be heard. But what the packers wanted was that there should be no public hearings; what the packers wanted was that the public should not know the facts. The packers realized better than anybody in the United States that it is public opinion that forces legislation, and they did not want public opinion created by the facts being made public. The packers never applied to me to be heard. I subpoenaed Borders, the attorney for Morris & Co., in Chicago, as a witness, and the first thing he did was to decline to testify upon the ground that it might tend to incriminate him and to demand immunity before testifying. He afterwards bribed one of my men who was in charge of the Veeder vaults, guarding them so that the papers we believed were in there could not be extracted.

Senator WADSWORTH. What became of the man he bribed?

Mr. HENRY. He disappeared. I do not know where he is. His name was Markham, and he was one of the regular force of the legal department of the Federal Trade Commission.

Senator WADSWORTH. Have any proceedings been taken against him?

Mr. HENRY. Against whom?

Senator WADSWORTH. Against the man who was bribed?

Mr. HENY. No. And there we come back to this prosecution again. I am not concerned about whether they ever do prosecute him or anybody else, because I think our troubles come more from law-makers than lawbreakers.

Senator KENYON. Then you get away from the Durand situation. Was he under employment and paid a salary by the departments?

Mr. HENY. Durand?

Senator KENYON. Yes.

Mr. HENY. No; he would not accept employment, but when he got back there they asked him if he would not edit a statement for publication, and finally he said he would go over their statement and edit it—they were going to get up an economic exposition of the packer situation—that he would go over it and revise it for them; that he would not charge them anything except for the cost of his stenographic help. Finally, they sent a man up to Minnesota with the report. It was not a very lengthy report, about 50 pages as I recall it, and he did revise it, and then they sent him a check for \$300, which he kept.

Senator KENYON. Did he make reports as to the situation he found in Congress under the Borland resolution?

Mr. HENY. Yes. But he did not make a complete written report. In his written report he dealt with generalities, and then he said he would tell them, and they have letters in the files which show that he did tell them certain things which did not appear in the report, and it did not appear in the letters just what he told them in regard to the situation.

Senator WADSWORTH. Going back to the case of bribery, Mr. Heny, what did the Federal Trade Commission do about that?

Mr. HENY. This bribery occurred in this way: Borders approached Markham, who was one of the guards; and there would be only one guard representing our side on at a time, and the packers had a man there, and the United States marshal had a man of his own, and he appointed the man designated by the Federal Trade Commission, and there would be two or three men on, you see, all day and all night, guarding this vault. Borders told Markham—I can only give you the substance of it from my recollection—that he was too bright a fellow to be working for the Government at the salary he was getting, that he ought to have a better job than that, and to come up and see him at his office, that he would like to have a talk with him. Markham told this to Hugh McIsaac, who he had been working under, and who had gone there to examine the Veeder vaults for me. McIsaac told me, and I said, "Well, that is a pretty serious situation. Do you think that Markham will stand up if put under temptation," and he said, "Yes." I said, "Do you think he would be willing to go along far enough to find out what Borders really wants to do?" And he said, "Yes." Then, I said, "I will talk with Markham myself." So, in the presence of McIsaac and one or two others, I told Markham that I wanted him to write a letter to me telling me exactly what Borders had said to him, and that he could go to Borders' office, but he must immediately write me a letter after doing so, telling me what was said there; and that he must write me a letter each time, and that it was necessary for him to do it for his own protection as well. So he wrote those letters,

the first letter telling me this; then he went to Borders's office. He wrote me the substance of that interview and it was along the same lines. Then Borders said to him in that same interview, "I would like to make you a little present. You drink and smoke, do you not?" And Markham said, "Yes." Borders said, "Then, if you will come up here to-morrow I will have something for you."

So he went up the next day, after having written me this, and Borders thereupon handed him a package, and that package is still up at the Federal Trade Commission, untied—I mean still tied up as it was. Borders had purchased it at the Chicago Athletic Club, where he is a member, and it has the label of the club on the package addressed to Borders as handed over by him to Markham. I did not see the inside of it, but it is a couple of bottles—one of whisky and one of brandy, and a box of cigars.

When I said he bribed him, that is what I meant. I consider that just as much of a bribe as giving him \$1,000. The purpose of it was perfectly clear—they wanted the whisky drank while they were on guard at this vault so that the packers guard or other representative could extract incriminating papers from the vault.

As illustrating Borders's character, and why I was willing to have this done—we found on the files of Morris & Co. correspondence showing Borders was attending to running elections in certain places, like electing an assessor at Oklahoma, I think it was.

Senator NORRIS. What was his relationship to the packers?

Mr. HENEX. Attorney. And some of these letters showed where he was backing both men for assessor, and he writes to his principal saying, "We will have a friend whichever fellow is in—one only wants friendly backing, and the other wants a little money," and he puts up the money, not very much.

Senator NORRIS. That was out in Oklahoma?

Mr. HENEX. I think that was in Oklahoma.

Senator NORRIS. Well, explain to the committee how the packers were interested in the election of an assessor out in Oklahoma.

Mr. HENEX. Why, they had packing plants there. The company he represented in this had a packing company there, which is Morris & Co., as I recollect it—possibly it was Cudahy & Co.—I think it was Morris & Co. Can you tell me as to that Mr. Adams, whether Morris or Cudahy?

Mr. ADAMS. Morris has a plant at Oklahoma City, but Cudahy has not.

Senator KENYON. Did he have anything to do with the election of Members of Congress?

Mr. HENEX. Oh, yes. The correspondence shows contributions to the election of Members of Congress, and there was one man named Taggart, a Congressman, who was employed as an investigator by the Federal Trade Commission, who worked under me, and when I got his statement—he sent in a report which convinced me that he had no business on the road representing the Government—I wired him to come back, and he at once accused himself, and he said, "You think I am bribed by the packers?" I said, "If I was convinced that you were, you would not last five minutes as an employee here. I said I do not feel quite sure; I am in doubt."

We found correspondence showing that Taggart, who was from Kansas, was on the subcommittee of the Judiciary Committee at the time the Borland resolution had promised them to vote a certain way, and they had correspondence in regard to it that he had fallen down in a secret meeting of the subcommittee and had not voted as he had agreed to, and he wrote a letter to M. W. Borders denying that he had fallen down and defending himself against the charge, and said that the question of returning an adverse report on the Borland resolution was not voted upon in the subcommittee, and they made a further investigation through Mr. Carlin, who was chairman of the subcommittee, who reported back that Taggart had voted against reporting the resolution adversely, but in favor of reporting it without recommendation and against reporting it favorably. They had previously put up \$1,000 for his campaign in 1914, through M. W. Borders, and the five big packers had contributed this amount on the usual percentage basis under which they have operated since 1902.

And then he got in as an investigator for the Federal Trade Commission. But after we found those letters, it is needless to say that he lost his job. I urged his removal, and as I understand it, he was permitted to resign under fire.

There were letters in the Veeder vault which we were enjoined from saying anything about by that Federal court in Chicago. If the committee wants to swear me and ask me the questions, I will not have any reluctance about answering them.

Senator NORRIS. Suppose we do that. What will be the pleasure of the members of the committee?

Senator KENDRICK. Mr. Chairman, it is now 20 minutes of 1. and I ask for information as to how long the committee wants to go ahead? I wonder if Mr. Heney could appear and finish his testimony to-morrow?

Mr. HENNEY. Any time it suits the committee I will be here, and as long as you want me.

Senator NORRIS. Mr. Heney, we had planned to hear Mr. Williams.

Senator KENDRICK. I am sure we can get him to come later.

Mr. HENNEY. Do it either way.

Senator NORRIS. How would it suit the committee to go on this afternoon? [After informal conference with the members of the committee.] Suppose we meet at 10 instead of at 10.30 to-morrow morning? We will adjourn, then, to meet at 10 o'clock to-morrow in this room.

(Thereupon, at 12.45 o'clock p. m., the committee adjourned to meet to-morrow, Wednesday, January 15, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT PACKING INDUSTRY.

WEDNESDAY, JANUARY 15, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10.30 o'clock a. m., Hon. George W. Norris, presiding.

President: Senators Norris (acting chairman), Kendrick, Gronna, Kenyon, and Wadsworth.

STATEMENT OF HON. FRANCIS J. HENEY—Resumed.

Senator NORRIS. Mr. Heney, when the committee adjourned yesterday you had reached the point in your testimony where you had possession of one of the vaults of the packers?

Mr. HENEY. Yes; the Veeder vault.

Senator NORRIS. Did you make any examination of the contents of that vault?

Mr. HENEY. Personally I made very little, but in the course of several hours there were six or seven—I think about six or seven of the men who were working under my direction, employees of the Federal Trade Commission—in the vault, attempting to sort out papers for the purpose of having copies made of them.

Senator NORRIS. Were copies made?

Mr. HENEY. Well, in fact it was under a search warrant that was secured by the United States attorney. We had nothing to do with that except I laid the facts before the United States attorney. The Federal Trade Commission had no way of proceeding to secure that search warrant.

I think, Senator, I had better state how this came about, to make it more plain?

Senator NORRIS. All right.

Mr. HENEY. I instructed Mr. Hugh McIsaac who was working under my direction as investigator for the Federal Trade Commission, to go to Chicago and make a demand on Mr. Henry Veeder to examine the papers in the vault; and I based this instruction upon the fact that numerous letters taken from the files of the packers, and particularly of Swift & Co., showed that many papers were kept in Henry Veeder's office relating to matters in which the packers were jointly interested. For instance, we had known that from early in 1900 until 1914 Armour, Swift, and Norris had been jointly interested in securing control of the cottonseed-oil business, and had acquired a large number of plants prior to 1905 in Texas, Arkansas and Tennessee, and they had put them in the name of a corporation and then

when the Government was so active in investigating in 1904, which led to that indictment, they had this corporation transfer all of these cottonseed-oil plants to a man by the name of Louis C. Ehle, who was an employee in Veeder's office, and, as I understand, was related to Veeder by marriage. He was a lawyer clerk on a salary.

The plants were left in the name of Louis C. Ehle, until 1914, and the business was carried on in the name of Louis C. Ehle for some years and finally Louis C. Ehle & Co., although there was no company—it was conducted by somebody else in an outside office, another building, in Chicago—I have forgotten the man's name. Ehle really had nothing to do with running the business, except that he kept the cash account in his name, and the dividends or profits were all paid to him, and then he paid the dividends or profits to Armour & Co., Swift & Co., and Morris & Co. A suit was brought by the attorney general of Texas to recover a heavy penalty, on the ground that they had violated the laws of Texas concerning combinations in restraint of trade. While that suit was pending, Henry Veeder procured the indictment of Ehle on six or seven different charges of minor matters connected with Veeder's office that had nothing to do with this.

Ehle, in the meantime, had been discharged, because some promoter got hold of him some years before 1914 and suggested inasmuch as his notes were being put out through the banks for amounts running up into over \$1,000,000, as I recollect it, that his credit being perfectly good he was foolish not to get into the business for himself.

So he and this other man had borrowed on Ehle's notes at different banks to the amount in the aggregate of about \$300,000 finally from time to time. Veeder had learned a little bit about what was going on and had taken it up with Ehle, and Ehle satisfied him and promised he would not do it any more, or something to that effect.

But finally the break came, and then Veeder demanded the check book, and, as Ehle claims, while Ehle was laid up in the hospital from an accident took this stuff—these stub check books—and demanded back the original and canceled checks. But Ehle had kept them, and in some way they had overlooked one set of checks of one dividend that he had paid, and the checks were drawn to Armour & Co. and Swift & Co. and Morris & Co., and had been properly indorsed and the money collected, whereas these companies were claiming, in the Texas suit, that the corporations did not own anything in them; that they were individual ownerships, and in Armour & Co.'s it was carried just like this Chicago Stockyards' account, which was "J. Ogden Armour, No. 4"—this was No. 3.

Then they tried Ehle a couple of times on two different charges and he was acquitted, and then the third charge they brought up against him they convicted him, and immediately after conviction they went to the attorney general of Texas with a certified copy of the verdict of conviction and succeeded in compromising the lawsuit down there. The penalties ran up into millions of dollars, which were being sued for, and they compromised for some nominal sum—I have forgotten what it was; it may have been \$50,000, or something of that sort.

Well, the Supreme Court of Illinois reversed the Ehle case in an opinion in which it sort of reprimanded Swift & Co. for its connection with the matter, and then a short time afterwards and before the opinion was published—after it had been filed with the clerk and

Veeder had secured a certified copy of it, which I have read—the court substituted another opinion, reversing the case, and reversing it on such grounds that it was made obvious that no conviction would stand and leaving out any reference to Swift & Co., putting it on other grounds.

So Ehle had written me that he could give me some information, and I did not know who he was until I ran across this decision in the Texas case, and then I looked up Ehle, and he told me what the practice had been in his days in Veeder's office and that in this vault were many papers relating to transactions such as the methods used in preventing legislation in different States which they considered adverse to their interests, like the oleomargarine bill, and relating to similar matters in Congress and relating to assessors and other officials in different places.

And by reason of the information we had from the Swift & Co. files showing that all kinds of business was carried on and the records kept in Veeder's office, and that as to some of those the records either never did appear or had partially disappeared in Swift & Co.'s office, I concluded that as a matter of law the Veeder files, in so far as they contained papers relating to the business of the packers, were the documents and papers of the packers to the same extent that the documents and papers in the office of any other official of the company were the corporation's papers, and under the Federal Trade Commission act the Federal Trade Commission has the right to inspect and make copies of all papers belonging to the corporation.

Veeder had been for years the regular attorney of the company, and the by-laws of Swift & Co. provided, among other officers, for an attorney.

By the way, something has been said in one of these hearings about the compensation I received for conducting this investigation. Mr. Veeder gets \$71,000 a year salary.

So I instructed Hugh McIssac to go and make a demand to see the papers, and at first Veeder was inclined to refuse, as reported to me. I can only tell you what was reported to me, Senator. But Hugh McIssac is sitting there [indicating]. I asked him to be up here this morning. And he reported to me that Veeder was reluctant to show them. I was in Washington at the time and he communicated to me by telegram, and finally Veeder said he would let him look at some of the papers; that he, Veeder, would go over some of the papers and let McIssac see any that he thought he had a right to see. So Veeder started going over these papers and was at it for a day or two. But McIssac first asked to make a copy of Veeder's index to his files. He secured that copy. And then in going over those papers the next day or the day after, Veeder handling the papers and McIssac sitting by him and glancing over his shoulder, they came to some letters that related to a Congressman.

These letters were written at a time that the Borland resolution was before Congress, and, as I recollect the report made to me at the time, it was that Veeder wrote Louis Swift and said that James R. Mann, then leader of the Republicans in the House—that he had had a talk with James R. Mann; had had a good many talks with him, and there are letters—I have one letter here in regard to that from Veeder to Swift—and that after he had been talking with Mann on this occasion, while that Borland resolution was up, that as he was

leaving Mann said he had not had a good steak for some time, so that he, Veeder, declared he had better send him one, and that he had sent him a \$3.50 steak, and he wanted to know whether that steak should be charged to the Chicago house or the Washington house, and Veeder wrote that he thought it was a good thing to show appreciation—something to that effect—for Mr. Mann's activities in their behalf, and Louis Swift wrote back and said, "Yes; it was all right to give him the steak, and that it should be charged to the Chicago house." But he said, "How many of these steaks will he want a year? I do not think he should have over six or seven." [Laughter.]

Senator NORRIS. They must have thought a Congressman's appetite was not very good. [Laughter.]

Mr. HENEX. Thereupon Mr. McIssac laughed and commenced to chide Veeder about how that would read in the public press—made some joking remark about it—and Veeder then said, "I won't let you see any more papers," and he refused to let him see anything more.

Then McIssac said he would put a seal on the vault until he could communicate with me, and he did so, and he wired me what had happened, and I wired back and said I would start for Chicago immediately, and I got to Chicago on a Sunday. I think it was—a Sunday or a holiday—and the next morning Veeder notified McIssac, when he got over to his office, that he was going to take the seal off; he had an attorney there representing him—that he was going to take the seal off and he was not going to permit us to see these papers.

Then he proceeded and did take the seal off and said McIssac had no right to put it on. Then McIssac telephoned me, and I went over there. I had a long session with Veeder, and an attorney named Baldwin—they called him Judge Baldwin—associated there with Veeder, an attorney for the big packers, for some of their subsidiary companies—he acts as such; as a director in some of these companies. And this other attorney was also in the conference—I have forgotten his name; an Irish name—who had just acted for attorney for the chief of police of Chicago who had been charged with misconduct in office, some crime of taking money, and they had just acquitted him—Healy, I think, is his name.

Well, they said we could not see it: that they had some records in there of transfers of real estate and that sort of thing, and that we could see those books. I said, "Well, let us see those." He said, "Well, tell us what you want, and we will bring it out." "Oh." I said, "this law gives us the right to inspect, and under the right to inspect and go to the place where they are kept and see for ourselves. There is no inspection when you bring out just what you please to bring out. Inspection means to inspect so as to find out what is there." He said, "we need to know before we tell you." I said, "if we knew, we would not have to look."

But they finally would not show us anything other than the books.

And then I went over and reported this to Mr. Cline, the United States attorney, and he took the matter up with O. E. Pagan, who happened to be there, one of the assistant attorney generals—he was there on the I. W. W. case—and he, after hearing what had occurred and after talking with McIssac, and finding out something more about some of the papers he had seen—McIssac told me about other papers, but this is the thing that stood out in my mind more strongly

than anything else, because of the prominence of Mr. Mann—except some papers in relation to percentages, which I considered of great importance, because they were dated as late as 1913, which was subsequent to the dissolution of the National Packing Corporation, and a letter accompanied the receipt of percentages saying that it had been agreed that these were the percentages upon which general, legal, and legislative expenses should be divided by Armour, Swift, and Morris, and went on to explain that the percentages for Armour, Swift, and Morris were the old percentages of 1902, which were the Veeder pool percentages; the percentage on which they purchased beef in 1902 is the percentage on which they divide general legislative and litigation expenses to-day and on which they were dividing expense of fighting the Borland resolution, and these particular papers showed that they were dividing the expense of opposing legislation in different States and in Congress—all general, legislative, and judicial expenses, as I recall it—matters that they would join in as a matter of mutual defense.

Well, Mr. Pagan, after hearing Mr. McIssac, said he did not see why the Government could not proceed to seize the papers under the espionage act, just as they had the I. W. W. papers, and after Mr. Pagan had expressed his views, another assistant attorney general who was there at the time, and who, I think, is a cousin of Attorney General Gregory—I can not recall his name—was called in by them and asked for his opinion on it, and he concurred in Mr. Pagan's opinion, and as a result of that Mr. McIssac was asked to make his statement in the form of an affidavit, which was prepared for him in the United States attorney's office, and the application for a search warrant was made to Judge Landis, and issued; and then the United States marshal appointed some of the Federal Trade Commission employees as additional deputy marshals to go over there to help select the papers they were going to take under the search warrant. They based the warrant on the statements of Mr. McIssac and upon the index to the papers, and that index which Mr. Veeder and his clerks used with which to find papers was used by us as a description of the papers in the affidavit under which the search warrant was secured.

And in that respect, I think, it is pertinent to say that the affidavit was far more explicit and specific than the affidavit upon which the search warrant for the I. W. W. papers had been issued; in fact, this latter affidavit was so very general that I questioned whether you could get a search warrant under it, and Mr. Pagan said the best evidence of that was that they had secured it, and, in his opinion, it was specific enough.

Well, when the men got over in the vault they were going through these papers for this purpose—I went over there with them—and while we were at work we were interrupted, after two or three hours—I have forgotten just the time—but by an order from the circuit court of appeals or from the presiding judge of the circuit court of appeals, enjoining us from proceeding. And everything stopped right there.

But at that time we had put into 15 different envelopes—or the men had—certain papers which they considered important to take, and they were placed in a valise, and the valise was carried out before the order reached there from the circuit court of appeals, and taken over to Mr. Clein's office by a regular deputy United States marshal.

There was one other envelope which was marked "No. 16," into which they were putting papers at the time the notice of the injunction arrived, and that was left there with those papers in it.

This injunction prohibited us from carrying away any papers or examining any papers, and so Judge Landis told us—he did not issue it—he told us we must not further examine the papers that were in the valise. So I had no opportunity to go over them at all, and never have seen what was in them; and no one man among those working for the Federal Trade Commission ever did see all of those papers; each different man saw some few papers.

Mr. A. B. Adams, who was operating with me as a representative of the Federal Trade Commission—Dr. Adams—who is a university professor, told me that he found another letter relating to Mann, and that he had put it into this envelope No. 16, or series of letters; and the substance of his report to me was that—I think it was in 1907 or 1908—Veeder had made James R. Mann a present of a horse, and Mann had written a letter back thanking him profusely for the horse, and telling him that it was just exactly the kind of an animal he wanted, a magnificent horse—that in substance; that there was another letter—it seems this horse had been charged up against a certain department, and a man who was responsible for that department had written Veeder complaining that this horse had been charged against his department, and Veeder had written back to that man saying that there was not much ground for his complaint, that the horse was 12 years old and only worth \$150, anyhow, and it was too small a matter for him to complain about.

Those letters have never come into the possession of the Federal Trade Commission. Notwithstanding the fact—

Senator WADSWORTH. Just a moment, Mr. Chairman. I understand the witness is not now testifying on the matters which were brought cut in testimony before the commission?

Mr. HENEX. No. I was sworn by the chairman and asked to state what I knew about this Veeder vault.

After I had quit the Federal Trade Commission, which was the last day of March—and which, by the way, had been agreed upon some time before; the commission had asked me to try to complete the work by a certain date, and I had estimated how long it would take, and then we were delayed partly by this Veeder vault matter, and did not get through at the time I thought we could finish it; and then I talked it over with the commission, and told them that I would manage to complete the work, so far as my part of it was concerned, by the end of March, and I did so, with the exception of desiring to hold two or three additional hearings; and I wrote the commission a letter at the time and stated that if they reached the conclusion that the hearings should be held that I would donate my services for the purpose, and I agreed with the commission, or suggested to the commission, that I did not think it was wise to hold the hearings at that particular time. That was the reason I had not gone ahead with the hearing in New York City; and that reason was that the German drive had just started the last week in March, and as you will all recollect, the Germans were making great progress toward Paris, and there was great excitement in this country, particularly in New York City; and one of the hearings which we proposed having related to the ownership of Wilson & Co. by the banks, and we were struggling

to float liberty bond loans to get money for the Government, and the banks were very essential in that connection, and I personally thought it was not a good time to hold a public hearing on that matter, although I thought the public was entitled to have the information.

My past experience had taught me that the public would not be apt to get very much of it if it merely came out in a report of the Federal Trade Commission, because the newspapers do not handle such things in such a way that the public gets the details, whereas a public hearing in a city like New York the newspapers would handle it largely in detail and it would be sent all over the United States and the public would learn the facts. I have always taken the view that no democracy can be successful in which the people do not know the facts, and their source of information is largely the newspapers. Consequently I considered it of vital importance to hold public hearings.

Senator NORRIS. Is there any testimony in the letters or correspondence that were taken out of this vault that you can tell us about?

Mr. HENNEY. No; there is not. I did not examine them myself.

Senator NORRIS. Did Mr. McIsaac know about them?

Mr. HENNEY. Well, he knows about what was seen by him.

What led up to the getting of the search warrant—

Senator NORRIS (interposing). Did Mr. Adams know about them?

Mr. HENNEY. Yes. These letters in envelope No. 16. Mr. Adams placed this Mann letter, or letters, which I speak of, about the horse, in there himself.

Senator NORRIS. Do either one of these witnesses know about the contents of this correspondence that the other one does not know?

Mr. HENNEY. Yes. I do not think that Mr. Adams saw the correspondence about these steaks. Mr. McIsaac did. On the other hand, I do not think Mr. McIsaac saw the correspondence about the horse—I am not sure about that, but I do not think he did.

Senator NORRIS. Were there any other letters in there pertaining to the packers' business that were seen by Mr. McIsaac or Mr. Adams besides these you have referred to?

Mr. HENNEY. Oh, yes. Whatever ones each one personally handled in putting them into envelopes; but as I recall, six or seven of my men were putting them in envelopes.

Senator NORRIS. Where are these letters now?

Mr. HENNEY. They all went back to Veeder after the Supreme Court had affirmed the circuit court of appeals' decision that we were not entitled to the search warrant, which decision, by the way, is on the ground, as I read it, that the affidavit was not sufficiently specific in describing the papers which it was alleged had been used in the commission of felony.

Senator NORRIS. Where is Mr. Adams?

Mr. HENNEY. Mr. Adams is here. I saw him come into the room a moment ago.

Senator NORRIS. And Mr. McIsaac is also here?

Mr. HENNEY. Mr. McIsaac is here. Dr. Adams is still with the Federal Trade Commission and Mr. McIsaac is with the War Labor Board. So that they are both available.

Senator NORRIS. They are both in Washington?

Mr. HENNEY. Yes; they are both in the room at the present time.

The Mann letters made a strong impression on my mind, for this reason: When the Borland resolution was introduced—which was in

February, 1916—for investigation of the packers, at the instance, as I understand it, of the American National Live Stock Association—I am not sure it was at their instance, but at any rate they were agitating the matter—the packers sent their attorneys to Washington to report on the situation, and three of the packers' representatives joined in a report in writing in which they said, in effect, that the situation was very dangerous; that if a public investigation was made, public hearings held, criminal prosecutions, in their opinion, were inevitable.

They then proceeded to outline a method preventing such an investigation, and their program as laid out at that time in February, of 1916, was to first kill the Borland resolution in the committee, if possible, and then, if there was no danger of an investigation by the Federal Trade Commission on a complaint which might be filed by Walter Fisher as attorney for the National Live Stock Association, that they might get a committee of Congress to investigate, provided it did not have perambulatory powers and provided it was not to last beyond the session, and therefore the matter would die before there was any result; and, third, that if they could possibly switch it to Agricultural Department, the Bureau of Markets, they wanted to do that. They did not state the reasons for that, but those reasons appear—they are quite obvious from the correspondence—to be, first, that the Bureau of Markets had no inquisitorial powers, no right to search, no right to inspect, no right to issue subpoenas and compel attendance, no power to really investigate. So that it would be an industrial investigation, pure and simple, wherein the Agricultural Department would only get such information as the packers saw fit to give it, and the packers' books as to costs are pronounced absolutely unreliable by the experts of the Federal Trade Commission who have been engaged upon them. You can not get any costs from those books.

Senator NORRIS. Where is that report, Mr. Heney?

Mr. HENNEY. The report of the experts?

Senator NORRIS. The report of the attorneys who outlined the campaign.

Mr. HENNEY. I think I have a copy of it right here.

Senator NORRIS. I wish you would read that report so it will be in the record here.

Mr. HENNEY. If you will permit me to first outline their theory, and then I would like to do that?

Senator NORRIS. All right.

Mr. HENNEY. So they suggested that they should try to get the Bureau of Markets to publish certain data in regard to prices of cattle, which the packers would furnish them, and give the Bureau of Markets the right to check up on the packers' books in regard to it. They were not to publish the details of what each packer bought and what he paid for it and what it averaged, but they were to take what all five of them bought and average the prices paid by all five of them for the entire volume for all five, and Louis Swift objected to it being done oftener than once in three months instead of once a month, as suggested originally by his attorney.

They thought that by publishing that data—they stated this in their meeting—they would hold off the Borland resolution on the ground that it would be an expensive proposition and unnecessary, because this information given out by the Bureau of Markets, thus

carrying the Government's indorsement of its truth, would satisfy the cattle growers. So that the cattle producers would have all the information necessary to enable them to know when and how to ship their stock, etc., and what was going on in the markets.

Another proposition they had in their report was that they should enlarge the scope of the hearing, if one was had, so that it would be so big and would obviously consume so much time before any report could be made that public interest in it would be lost, and it would die by its own weight; and that if it did go to the Federal Trade Commission and an investigation was made, their next proposition was that if it did go there, then they wanted that investigation to be made by the Federal Trade Commission's own examiners and to be limited to an industrial investigation in effect, with no public hearings—and that was the vital point in it, as emphasized by them—and no examination of witnesses by attorneys or cross-examination of witnesses. The thing which they now complain they were not permitted to do was exactly what they wanted to prevent being done, their object being undoubtedly to prevent Walter Fisher, as attorney for the National Live Stock Association, from asking any pertinent or impertinent questions of witnesses who might be produced on their part.

I think that covers, in substance, their plan, and that plan was carried out, and it was carried out by the assistance of Mr. Mann in putting a rider on the Agricultural bill of, I think it was, January, 1917, for \$50,000 appropriation for the Agricultural Department—I mean it was partly carried out—that is, one of these plans was effected in that way.

Another part of the plan was to defeat the Borland resolution, and it was defeated, or rather it was not reported until too late in the session for successful action by its friends, and without any recommendation by the committee, as I remember it.

Senator GRONNA. The appropriation which you are speaking of now was perhaps the appropriation which was used, and we are still appropriating money for that specific purpose for the Bureau of Markets to publish daily reports. I think we are appropriating \$150,000, are we not, every year for that purpose, for the director of the Bureau of Markets to publish daily and also monthly reports? I was very much interested in your statement regarding the reports which you had reference to, which come from the Bureau of Markets. I take it that the daily reports furnished by Dr. Brand—you say they are sent from his bureau, at least, as he is the chief of that bureau—that it can not be possible that these daily reports can be furnished by the packing industries?

Mr. HENRY. I do not think, Senator, that that is what this particular appropriation of \$50,000 was for. I think you are mistaken about that. At the time of this appropriation for \$50,000, when Mr. Mann advocated it, Mr. Sydney Anderson—Congressman Anderson—opposed it, and stated that its purpose was to head off the Borland resolution.

Senator GRONNA. I see.

Mr. HENRY. And Mr. Borland did the same thing in speeches which are in the Congressional Record.

Senator GRONNA. Was the appropriation that you refer to passed, Mr. Henry—are you sure it passed?

Mr. HENNEY. Yes, it passed; and, incidentally, a Congressman told me that Mr. Mann and Congressman Carlin hugged each other, or patted each other on the back there in front of the Speaker's desk when the vote was announced as having passed.

Senator GRONNA. Of course that would have to pass the Senate also before it became a law?

Mr. HENNEY. Yes. Whether it passed the Senate or not, I do not recollect.

Senator WADSWORTH. Do you remember what the stated purpose of the item was, if it was not for the Bureau of Markets? I do not recollect it myself. I have no doubt there was such an item in.

Mr. HENNEY. Senator, I have not looked at any of this stuff since last March, except what I tried to look up since I arrived in Washington.

Senator WADSWORTH. That was in the winter of 1916?

Mr. HENNEY. Yes; and my recollection is that this was about January, 1917.

Senator NORRIS. What was the date?

Mr. HENNEY. I think it was something like January, 1917.

Senator NORRIS. It was on the agricultural bill?

Mr. HENNEY. A rider on the agricultural bill. And after that had gone through and the Borland resolution had been reported without recommendation and had little prospect of being passed, apparently. Congressman Kent and three or four other Congressmen went to the President in the matter of endeavoring to get the investigation ordered by the President. The President expressed some doubt in regard to his power, and they looked that up, and Congressman Kent wrote the President on the subject, and then the President sent Kent's letter to the Federal Trade Commission, requesting an early reply to it, and Mr. Edward N. Hurley, as chairman of the Federal Trade Commission, then recommended a plan in line with the packers' program for an investigation of such broad scope and by a committee so constituted that it would be worse than nothing, and then Mr. Kent replied to that, and I would like to put that correspondence into the record. I have it here.

Senator NORRIS. I wish you would read it. First read the report of these attorneys that you speak of, of the packers, and then read the other correspondence as we go along.

Mr. HENNEY. This report was by R. C. McManus, who is attorney for Swift & Co.; J. M. Chaplin, and Arthur D. White—Chaplin and White are both officials of Swift & Co., and the report bears upon it, and to the same effect that copies were sent to GSF, jr., which is G. F. Swift; HHS, that is H. H. Swift; LAC, which is L. A. Carton; FSH, which is F. S. Hayward; HV, which is Henry Veeder; JMC, which is J. M. Chaplin; ADW, which is A. D. White; EM, which is Edward Morris, jr.; FEW, which is F. E. White; and TC, which is Thomas Creigh.

These constituted officials of Armour, Swift, Morris, Cudahy, and Wilson & Co. (Inc.)—all five.

I have difficulty in finding where that starts here. [After a pause.] I now have it; it does start on page 1776, and it is a letter dated April 10, 1916, addressed to Mr. Louis F. Swift, fourth floor, headed "Borland resolution—April 3."

There is an explanation here who each of these 10 is, and, for instance, J. M. Chaplin is the Swift man in charge of accounts, and

Arthur D. White is in charge of advertising and publicity for Swift & Co., and the parties to whom it was sent are G. F. Swift, H. H. Swift; L. A. Carson, who was treasurer of Swift & Co.; F. S. Hayward, another official of Swift & Co.; Henry Veeder, attorney for Swift & Co.; J. M. Chaplin, another official of Swift & Co.; and A. D. White. The EM was Edward Morris, jr., and FEW was F. E. White, of Armour & Co., and the other was Thomas Craigh, counsel for Cudahy.

The letter reads:

The Borland resolution provides for investigation by the Federal Trade Commission to determine whether or not there is a combination among the five large packers, naming them, to control the price of live stock and meats.

"Five" is underscored, and above it is put in a circle, "Swift, Armour, Morris, Cudahy, and S. S."

Congressman Borland's interest is political and selfish, as is also that of Congressman Doolittle, of Kansas. Their resolutions were introduced the same day and their preliminary efforts were directed chiefly to claiming credits for the rise of beef-cattle prices sent them as an evidence of what the packers could be made to do.

The Missouri Swine & Cattle Raisers' Association was represented by Judge Wallace, a lawyer who has a stock farm and who has lost money. He was attorney for Aiken, of Kansas City, Kans., in the calf cases, and used a lot of arguments growing out of that case, as showing a truce. He made a wild, pettifoggish speech, calling the packers criminals and likening them to the Jesse James gang. He cited and depended upon the market telegrams sent out by the telegraph companies giving the prospect and the state of the market, which he charges was sent out by the packers to indicate the program for the day.

He also cited the fact that the buyers start out late and at the same time.

Wallace charged that he sold a bunch of cattle to Armour's buyer, and after that part of the bunch was weighed up to Cudahy without his knowledge, and claimed to have seen an account sale to prove it. He told how shippers were wired on when they sought another market. His chief charge, which really hurt us most, we thought, was the story of how Earl Cooper, representing all the packers, went to the books of the Kansas City Stockyards Co. at night by prearrangement with a bribed employee of the stockyards company, and obtained information as to the cars which had been offered on the Kansas City market and which had been reshipped to other markets.

May I stop incidentally to say that we took the sworn testimony of Earl Cooper in Kansas City hearings, and that of others who were connected with them on this subject, and it bears out this claim very conclusively?

He claimed that a copy of Cooper's report was furnished to each of the packers and that they all wired their buyers at the yards to which the stock was confined, giving full information and the price that had been offered, and it was his claim that the buyers at the destination had instructions not to pay any more than what had been offered at Kansas City, thereby making the owner lose the freight. That is what they call being "wired on."

Congressman Steele still has an interest in a commission firm at Sioux City. He made a long talk, for the most part harmless, except on the matter of the packers' ownership of the Stock Yards. He charges that this prevents competition from securing advantageous sites and facilities. He mentioned a specific case of a small local packer (Harney Packing Co.) who had been refused the use of an alley to drive hogs direct to his plants, and instead was compelled to drive the hogs through the public streets.

Walter Fisher then stated that the American National Live Stock Association had not initiated the Borland resolution. What they wanted was a comprehensive investigation of the whole history of meat from the grower to the consumer, and that he wished the opportunity, as special counsel, and with the aid of governmental authority, to administer oaths and subpoena documents and to go through all the books of all the subsidiaries covering the ultimate history

of all cattle and hogs which went into manufacture and everything which appeared upon published statements and was included in the profits; also all collateral statistics which might be used to indicate whether or not there was a combination.

Mr. Fisher said he thought there should be four separate inquiries of this character—one by the Department of Justice, one by the Department of Commerce, one by the Federal Trade Commission, and one by the Department of Agriculture. He thought they could be carried on simultaneously, and that with the cunning and soulless ingenuity of the corporations, all these investigations would be necessary.

Mr. McManus then asked him whether it would not be necessary to examine the books of feeders, stock yards companies, commission companies, wholesalers, and retailers, and he said that it would, and that they would be examined.

Mr. McManus then asked him whether he tendered the books and feeders for that purpose, and he said he did; that the first step, however, was the packers' books, and for that purpose he thought the Borland resolution sufficient.

Ex-Gov. Stubbs, of Kansas, cited the Texas antitrust case as provided that the packers had secured control of the cotton-cake business in Texas, and thereby had extorted \$6 or \$8 per ton last season compared with the year before. He quoted a telegram from the attorney general of Texas to the effect that the packers had pleaded guilty to a charge of monopoly on cottonseed cake—

That is the suit I referred to—

and Stubbs said they had thereby been able to extort \$6 to \$8 per ton extra last season. He advocated punishment by imprisonment should an investigation prove the packers guilty.

Congressman Doolittle relied chiefly upon the break in hogs October 20 and 21, 1915, and stated that he had given information on this particular point to the Department of Justice at Kansas City, and that they had been making an investigation. He also mentioned as one of his main points the question of split purchases, quoting an instance which he claimed he could prove where a carload of cattle shipped into Kansas City was sold to one buyer and then split up among five packers, each one taking an equal share. Mr. Meeker asked him about how many head were in the lot, and he said 20.

Ed. Burke, of Omaha, read his usual speech and procured a new chart. It was the most moderate and informative of their efforts, but helped the general proposition of universal unrest and demand from the cattle producers for an investigation. Burke's chief complaint was that the buyers start late. Eleven o'clock was given as the definite hour. The impression was that it was a definite hour fixed by the packers, and that all came out together, the purpose being to let the cattle shrink, which shrink was estimated at a loss of 50 cents per head to the cattlemen.

Burke promised to permit an accountant to go over his books so far as they related to his costs and losses on cattle for the past three or four years.

During the entire proceeding they filed exhibits too long to be read and not necessarily a part of the printed record, containing figures which could not be examined nor refuted offhand.

Chairman Carlin seemed much interested and asked intelligent questions. However, so much time was consumed in collateral inquiries that the time allotted to the defense was necessarily restricted.

That hearing had taken place just before this letter was written. This is the report on the hearing.

Jay Brown, of the Drovers' Journal, wired Borland that he wanted to appear in connection with the charge that his paper was owned by the packers and so his use of the trade-paper rates in the mails was illegal, and when Brown appeared, he listened to his story, but did not give him time to talk.

Brown asked us to find a place for him out of our time, which we did. This was fortunate, as he covered the whole question of stockyards and live-stock exchange procedure, marketing, and competition. He explained the market telegram, which he personally furnished to the Illinois Telegraph Co. and which they sent. He said he was present every day at hundreds of sales, described the delays due to the hoof-and-mouth quarantine, the custom of permitting a salesman to have the exclusive time of a buyer until a bid was made, and to the fact that few sales were made without two or more bids; he said there were usually three or four. He denied packer ownership or control of his paper or

of The Live Stock World. Coming from an avowed neutral, his testimony was comprehensive and valuable. He also testified to the fact that the buyers did not get out at some fixed hour, as the cattlemen claimed; that they came out at different times in the morning on different days, and that buyers for all the packers did not always come out together; that there was in his opinion at times unnecessary delay on the part of the buyers in getting out into the yards.

He said the Illinois Telegraph Co. was in the business of furnishing news and ticker service in connection with stock exchanges, boards of trade, and live-stock markets, and he thought perhaps other similar kinds of service. They asked him if it was not the case that the packers owned or controlled the Illinois Telegraph Co., in answer to which he said he did not know, and while it was a possibility, he did not think it was probable. He had never met the manager, simply sent him his wire by telephone and received a check by mail.

Walter Fisher indicated his strong suspicion that the packers controlled this service and that Mr. Brown was there representing them.

We then put on Phil Haner, farmer, cattle feeder, and trader in live stock, of Taylorville, Ill. He made a good witness. He stated that he had made and lost money, losing more than he made in cattle feeding in 1915. He regarded the hoof-and-mouth quarantine as the most important feature occasioning the losses of Illinois feeders. He spoke of the laziness and ignorance of cattle feeders who depended upon commission men to buy their stock, which was often unfitted for their conditions. He said feeders had been too high; that the production of live stock by the average farmer throughout Illinois, he thought, had increased considerably during the past three or four years and believed that that would be the tendency in the future. He buys most of his own corn. He has been able to buy feeders cheaper than the prices obtaining in the big markets and by getting hold of gossip information and following it up. He has bought cattle in the Ozarks and in Ontario. He is an active trading man, takes advantage of opportunities, and turns himself quickly. He had always had plenty of competition.

Haner regretted the breaking up of the National Packing Co., because it took more buyers off the market. At this point Walter Fisher interjected sneering comments asking whether he seriously believed a creature like the National would compete against its creator—the Beef Trust. Haner said that the National has nearly always bought his cattle, indicating that they paid as good or better prices than the other packers. He stated that he believed the matter of making or losing money in the cattle-feeding business on the average was a matter of intelligence and judgment, just the same as any other business. He also stated that the present agitations of a similar kind which bring an odium on the packing business affect the price of cattle adversely, and that he was not in favor, nor did he see any necessity for an investigation. He did not ask the National Government to guarantee him a profit in his business.

May I comment on anything, or would you rather have it straight?

Senator NORRIS. Of course, we want it all in, but if you know anything about any of these people as you go along you can comment on that.

Mr. HENRY. The packers, as shown by letters in their own files, went to the expense of bringing these cattlemen on here as witnesses, and divided the expense according to the different percentages that was handled by Henry Veeder; and they agreed in the meetings that they would keep it off the books until after the question of the investigation of the packers was out of the way.

Senator NORRIS. Did they keep it off the books for that time?

Mr. HENRY. They did. And not only that, but here this man testified that it would affect the price of cattle adversely, or that he did not see any necessity, after the Borland resolution hearing was completed and while it was under consideration; and immediately after it was completed Arthur Meeker wired out to Chicago from Washington and urged that the packers should get busy and notify banks, particularly their cattle-loan banks at different stockyards centers and any others with whom they had influence, and chambers of com-

merce and boards of trade who were located in the districts of the Congressmen constituting the Judiciary Committee that had this resolution under advisement, to wire them urging that they do not pass the resolution or report it favorably.

Senator GRONNA. Who is Arthur Meeker?

Mr. HENRY. Arthur Meeker is the vice president of Armour & Co.; was at that time and still is in that position.

And Meeker wired for the packers to have telegrams so sent to these Congressmen urging them not to pass the Borland resolution; and to state in the telegrams that the packers had been investigated often enough; and that the Government had not found anything wrong with them; and that they were acquitted in 1912; and that an investigation would affect the price of cattle adversely to the Congressman's constituents; and that the telegrams ought to be worded differently from each other so that they would not be suspected of all having been inspired from the same source. Of course, I am only giving the substance now, but it is an accurate substance. And I secured some two or three hundred, I think it was, telegrams from the files of the packers that had been sent by these banks and chambers of commerce and other important people from the homes of the Congressmen who were on the Judiciary Committee, setting forth these reasons as outlined by Meeker in this telegram.

And that was the reason that when the Detroit banks joined in a telegram to President Wilson urging him to stop this investigation, to stop the public hearings on the ground that it was affecting the credit of the packers. I took the action I did. I then had these telegrams in my possession which had been sent to the Judiciary Committee on the Borland resolution. I had not reported the fact yet to the Federal Trade Commission, but my answer to the bankers of Detroit—whom I suspected of having been inspired in the same way—and if any proof is necessary for confirming the suspicion, I will say that if I had the power and the opportunity I think I could demonstrate that it was inspired in the same way.

My answer was to come to Washington and hold a public hearing and make public these telegrams sent to the Borland Resolution Committee. I did not hear of any banks wiring President Wilson after that urging any interference with this investigation.

Senator GRONNA. But on the face of these telegrams the only interest that was shown was the interest of the cattle owner, the producer, or the stockmen?

Mr. HENRY. Yes; it was in the interest of the public and the stockmen.

Of course, it was to appear that they apparently were sending the telegrams on their own initiative, when as a matter of fact they had all been inspired by the packers.

And there is where the banking interest in the packing business becomes a still greater menace, just as is evidenced by the report of the committee of the National Chamber of Commerce, in which the Federal Trade Commission is denounced for the methods pursued in this investigation, and the author of the report, Mr. Butler, who confessed that he has been an attorney for a number of years for Cudahy & Co. in their interstate commerce matters, but having severed his connection two or three years ago, of course, had none of the influ-

ences of the environment hanging on him—the scent of the roses is all gone. He proceeded to attack me in this report, and they sent it to 14,000 different members throughout the United States and to all the newspapers. He attacked my methods, and the statements in the report are actually without any foundation, absolutely contrary to the facts, in regard to the methods. He does not know anything about the methods. Now, he objects to my methods as being unfair. I would like to know what anybody thinks of his methods when he makes statements that are absolutely without any foundation, about an attorney whose business would naturally be very disastrously affected by statements of that kind being spread among all the merchant class practically in the United States.

Senator GRONNA. I do not like to interrupt too much, Mr. Chairman, but I would like to know, if you can give it—

Mr. HENY. What is it, Senator?

Senator GRONNA. The date of these telegrams?

Mr. HENY. It must have been along about August, I think, that the Borland resolution was under consideration.

Senator GRONNA. Of what year?

Mr. HENY. Of 1916; and these telegrams are all in the record of public hearings, Senator. I can find out the pages at which this appeared.

In that connection, I think I can state another fact which is important. In 1915 Armour & Co. spent about \$250,000 only for advertising. In February, 1916, the Borland resolution was introduced, and Armour & Co. that year spent \$650,000 in advertising, although the exports increased tremendously, so that they were disposing of their products without need of advertising in the United States.

Senator NORRIS. What year was that?

Mr. HENY. 1916.

Senator NORRIS. I intended to ask you before you left the stand—

Senator WADSWORTH. Mr. Chairman, I did not mean to interrupt you, but would it not be best for him to finish that letter. He is being interrupted so much.

Senator NORRIS. I want you to take up, Mr. Heney, before you leave the stand the question of advertising. I was going to ask you the question, but I think it will be better not to interrupt the reading of this letter. We will go into that later.

Mr. HENY. There is such a mass of this stuff that when I get to reading it that it suggests things to my mind. I have had no opportunity of arranging it, having just got here, and not having thought of it since last March, that my inclination is to discuss it before I forget it. But it will make the record read in very bad shape if I continue to do that, I realize, so I will go back to the reading.

Senator GRONNA. As one member of the committee, I would rather get the facts, even if they are not so nicely arranged.

Senator NORRIS. We will get the facts all right. But he is right in the midst of reading these attorneys' letters to the packers.

Senator GRONNA. The only thing is that he might forget them as long as he has not the matters written down.

Mr. HENY. If I might make a suggestion, if the reporter might copy the letter into the record and then let the remarks follow.

Senator NORRIS. My idea was that the better course would be to read the letter clear through and then make whatever comments you want.

Mr. HENRY. Yes; I think so, Senator; and I will do that. I will now read from the letter:

Crit Clay, of North Salem, Ind., farmer and live-stock man, made money, as have all the neighbors, during the past three or four years. He described efficient economical methods for raising and feeding cattle, and it was his opinion anyone could make money raising and feeding cattle, who plowed his own land and raised his own feed and made efficient use of the roughage. He said there was competition between the live-stock markets. He said he had been selling his cattle for the past few years around 10 cents per pound. He thought the present agitation and all previous agitation had had a bad effect on the price of live stock, and did not see any necessity for it. He attributed this legislation to politicians seeking advertisement, to lawyers seeking fees, and to lawyers and doctors trying to live in town, buy the feed and feed the cattle on the farm. Mr. Fisher cross-examined him and Clay was more than a match for him. He made a very good witness. He personally has been on the market in Chicago and always had competition.

Charles Clayton, Denver, grower, feeder, speculator, etc. Often buys heavily at one market and ships to another, which business has been profitable, indicating that he is able to get better prices at destination than at the point of shipment, and that therefore the claim that the packers wired to destination to his detriment was unfounded. He feeds big quantities of cotton-oil cake and never heard of Swift & Co., or any other of the packers as controlling prices or being controlling factors. He did not even know they were in the business. He sells his cattle upon his own judgment and keeps posted. He never had any difficulty in procuring competitive bids. He kept a set of books for a term of years on his feeding operations. He made money feeding; last year he lost heavily on some lots and made a little money on others, but on the whole he lost money. He stated there were ups and downs in the cattle-feeding business, the same as in other lines, but on the whole it was profitable. He thought agitation would injure the business.

Called W. D. Reynolds, of Fort Worth, Tex. Mr. Reynolds owns an oil mill in the vicinity of the oil mills operated by Swift; he stated that so far as he knew the packers did not control the oil mills in that territory, and he had no knowledge of combination in prices; that the high price of cottonseed meal and cake last year was due to shortage in the cottonseed crop.

Reynolds is a grower. He raises calves and makes big money every year (\$20 a head). Does not favor the Borland resolution. Believes that agitation hurts every branch of the business, and that there is nothing in the business requiring legislative assistance. He was present when the Texas Cattle Raisers' Association passed the resolution indorsing the Borland resolution and also the program favored by the marketing committee of the American National Live Stock Association. This was on Wednesday, March 22. He was also present when another resolution was passed, instructing the executive committee and officers, before taking any action effectuating the plan for investigation or prosecution, to send a committee of three to confer with the packers and see whether their difficulties could not be amicably adjusted. Mr. Reynolds was present when this resolution was introduced by Mr. George W. Armstrong, of Fort Worth, and when it was passed on March 24. (Mr. Fisher had introduced the previous resolution, but not this one, and claimed no knowledge of it.) This seemed to take Mr. Fisher completely by surprise. He denied all knowledge of such action, and John Landergen, of Amarillo, said he was present and that it was not passed. Mr. Fisher was very much confused by the presentation of this resolution. The chairman said the resolution, if passed, spoke for itself, and it seemed to him to completely reverse the attitude of the Texas association and its instructions to its representatives.

Jim Nell, of Fort Worth, grower, stated he was present when the resolution was introduced by Armstrong, and that it was passed unanimously on the floor of the convention; that the other resolution was born in the committee rooms and went through without opposition; that neither he nor Reynolds voted; furthermore, that he had not and would not pay his assessment toward the present action. He did not favor the Borland resolution and believed that this agitation would hurt business. He had no fear but that he would be able to

sell his calves and yearlings, as he had always been able to do so and there seemed unlimited demand.

Throughout the hearing the committee interjected questions and interruptions and seemed on the whole pretty fair, but entirely ignorant of the subject.

Mr. Meeker explained many phases of the business as they arose. Mr. McManus stated that if Mr. Fisher would permit his clients to talk to the packers they could learn much to their advantage, he thought.

We introduced correspondence showing that the Kansas association had made an appointment to meet the packers in Chicago on the 11th. On the question of the desirability of doing this, it may be said that we did so with some diffidence, fearing to arouse their resentment that we should use their conciliatory actions to embarrass the marketing committee of the American Live Stock Association. On this we have to say that they withheld this information from the committee and were creating the wrong impression. We also felt that the marketing committee's movement is in the selfish interests of a few men who would stop at nothing and who did not intend that any friendly understanding shall be reached. It appeared that the Texas cattle raisers had subscribed \$100,000, and we know of some \$68,000 in addition.

THE SITUATION.

Mr. de Ricqlès wishes to be United States Senator from Colorado. So says Mr. Gates, Democratic committeeman from Colorado, a friend of James Brennan. De Ricqlès has three or four thousand 4-year-old steers which would have been a loss at prices obtained in 1915. He is also in the cattle-loan business, and believes that that business has suffered because of the so-called packer cattle-loan business. He had a personal quarrel with Mr. Vant during the panic of 1907, due to Vant's refusal to lend him \$100,000.

Mr. Vant is head of a cattle-loan bank at Omaha, Nebr.

De Ricqlès has been a disturber all his life and has a gift for organizing revolts. He believes if he could get the stockyards and cattle-loan companies out of the packers' hands his company could do a much more general business. He also likes the personal advertisement and prominence.

Ed. Burke, of Omaha, is a sincere man, but Mr. Meeker, who has known him all his life, says he is a curious solitary man, has few intimates, and is obsessed with the idea that he always gets the worst of everything. Burke's cost accounting is bad, we think. He is suspicious of everyone and believes his business too dangerous to leave to his sons unless he can correct the abuses.

Mr. Meeker informed me that he and Burke were roommates at Yale College, I think it was.

H. A. Jastro appears to be the real power. It is he who insisted upon the huge subscription fund, and he is responsible apparently for the refusal of the American National Live Stock Association marketing committee to meet the packers. He does not believe in stockyards nor live-stock exchanges. He does not appear to be particularly bitter against the packers but wishes a new marketing system established, and favors a complete study of every phase of the question and wants Walter Fisher to conduct it.

Stubbs, of Kansas, is the man who took Bill Miles to the Department of Justice before the last trial. He, while governor, ousted the Standard Oil Co. from Kansas. He is a bitter politician and is now trying to be United States Senator.

Borland, of Missouri, is seeking renomination. He boasts that he has a life job assured by reason of this agitation.

Congressman Doolittle is a boy of small ability. He thinks he sees an opportunity to secure prominence in politics.

There are many cattlemen who believe the packers are in a combination and have destroyed competition. Some of them are bitter and want revenge, believing in indictments and prison sentences. On the other hand, there are many conservative cattlemen who are satisfied. They wish to have some things explained to them, but have open minds. These last, however, are not organized; the radicals are in control to-day of the American National, the Texas cattle raisers, and the Pan-Handle associations. While they appear to have carried everything in the Kansas association, nevertheless they are not in control of it.

There are some points of immediate danger which we must explain and have the cattlemen of the country generally understand:

First. The origin and purpose of the market telegram.

Second. The conduct of the buyers; why they come out late and why they go out together, if they do.

Third. The question of split purchases. It seems to be universally believed that this daily occurs; that one buyer will make a bid, buy a string of cattle, and then weigh them up to a number of packers, or that bids will be so made that even if the other half of the lot happened to be bought by some other packer the price paid by both packers is the same.

The words, "It seems to be universally believed that this daily occurs," are underscored with red pencil.

Commissioner COLVER. Was it so understood when it was taken from the file?

Mr. HENEY. Yes, sir. That is the way they appeared in the files; they have not been touched.

That is right, is it not, Mr. Twombly?

Answer. Yes, sir.

Mr. HENEY (continuing reading):

Fourth. It is also claimed that the packers buy about the same number of animals, comparatively. This was particularly mentioned by Steele, of Sioux City—that they agreed as to total percentage of receipts which they would buy.

That is underscored—the words, "This was particularly mentioned by Steele, of Sioux City—that they agreed as to total percentage of receipts which they would buy."

Then there is some discussion there between the commissioner and myself at the hearing.

This is a matter which, according to Steele is talked about a good deal by the commission men around the Sioux City stockyards.

Many commission men make a practice of blaming their poor sales or disappointing results upon the packers, and there seems to be a large percentage of them just now actively promoting unrest among the cattlemen. Emil Ingerson is one of the active agitators, as is also Johnny Boules. The National Live Stock Exchange, by the president, Mr. McCluer, of Kansas City, read a letter indorsing the movement, which is underscored in such a way as to create the impression that they would be much stronger in their expressions if they dared, and that the commission men individually feared the power of the packers, and so acted impersonally as an organization.

Walter Fisher is frankly pettifogging. He is concerned for the consumer. He is determined there shall be no mutual adjustment of differences and that there shall be started a long campaign of official investigation, in which he shall participate.

"He is determined there shall be no mutual adjustment of difficulties" is underscored with red pencil.

All of these men have in their minds indictments and imprisonments.

"Indictments and imprisonments" is underscored.

The conservative, friendly cattlemen are unorganized and have remained passive. There is, however, a large element in both the Texas and Kansas associations which is friendly and opposed to the movement. There are also some of those in the movement who want to be fair and reasonable and who only wish to satisfy their minds as to the fairness of the packers.

Undoubtedly we have started our educational campaign late. The fact that we ignored the Brand conference in November seems to have precipitated the fight and fixed the minds of Burke and his kind in the notion that only the Government is powerful enough to bring the packers to time.

"Educational campaign late" is underscored with red. "The fact that we ignored the Brand conference in November seems to have precipitated the fight" is underscored in red.

There are these points in our favor. This administration has not disturbed business by prosecutions and does not wish to be known as appealing to the

mob spirit. It does not wish to spend money, as its revenues are in bad shape. It must come before the corporations for political subscriptions shortly, as the convention is almost at hand. Congressmen wish to go home to attend to their fences.

WHAT WE CAN DO.

"What we can do," in the center of the page, is underscored.

We have worked out an understandable scheme for current dissemination by the Government of official data, which will direct the attention of the cattlemen particularly to the beef and teach them how to analyze beef-market conditions as affecting live-stock prices. The Department of Agriculture seems to favor the experiment.

The last sentence is red lined.

The Lever agricultural bill commits the Department of Agriculture to the general supervision of all agricultural subjects, which are now scattered through several departments. The Department of Agriculture has now probably nine-tenths of the data in one form or another, and the Bureau of Markets is the particular pet of the present Secretary.

The Texas Cattle Raisers' Association was badly split on the subject of employing Judge Sam Cowan as counsel and probably would not favor another split growing out of the differences of opinion between the radicals and conservatives. Messrs. Reynolds and Nail are powerful and respected, and certainly the committee will hesitate before discrediting them.

They were two of those witnesses.

They are two of the witnesses the packers had at this hearing on the Borland resolution, and they were spoken of in the other part of the reports.

The Kansas association is headed by J. Todd, a sane, true, honest Scotchman—

That is the association in which they said they apparently controlled them, but really did not—

The Kansas association is headed by W. J. Todd, a sane, true, honest Scotchman, who, while he did not interfere with the indorsement by his association of the marketing committee's plans, nevertheless has appointed a good committee, who have an appointment with the packers. This last may have been interfered with by Mr. Fisher's fiasco at Washington, as we are informed the committee has gone on to Washington for a conference. We must bear in mind that Mr. Fisher repeatedly stated that his clients would not be satisfied with any information volunteered or any books shown to accountants or representatives of cattlemen. He insisted upon an official investigation under oath and with power to subpoena all documents and intends to follow the product through every stage and however admixed with other goods, stating that the packers have some hidden methods which the books do not show and that frankly he does not and will not believe the packers' books.

The circumstances which cause dissatisfaction to the cattlemen are few and, in our opinion, for the most part important only as they cause irritation. They should be handled to the best advantage. If we are to avoid indictments—

The last six words are underscored with red pencil—

we must immediately decide upon such steps as will first bring better feeling by showing a disposition to cooperate.

Second. Get something cooperative started which can not be finished for some time.

Third. See that our friends in these cattle organizations do organize so as to discredit and undermine Walter Fisher, de Riccles, and Jastro conspiracy.

Fourth. Get together all the political strength to persuade the subcommittee of the Judiciary Committee not to report out the Borland resolution unless necessary to prevent a bill for congressional inquiry.

Fifth. To so combine the question of the packers' investigation with the more comprehensive scheme mentioned by Fisher that the whole undertaking will appear so colossal as to be unattractive.

Sixth. See if the Bureau of Markets can not be induced to start to publish data and familiarize itself with the situation to such an extent that it will begin to represent the cattlemen in all disputes.

Seventh. See if the live-stock exchanges can not be induced to help dissipate some misunderstandings, to be at the hearing, offer to undertake to agree with the live-stock men as to the hour to start the market. It might be considered whether the exchange could not by ringing a bell and assuming the responsibility of determining when the market should start, do away with this charge.

Eighth. Could there not be published current expert comments upon the beef markets which could be read by the commission men and farmers so that the explanation of breaks and fluctuations could be understood at the time?

Ninth. Would we favor a permanent marketing committee of the live-stock men and packers to meet periodically and have we not unnecessarily antagonized the commission men? Might not a grievance committee of the live-stock exchanges talk things over before they start their campaign of misrepresentations?

In our opinion the Bowles campaign against the country buying has inflamed the minds of the cattlemen, even those who favored the practice.

We believe the situation to be serious and recommend that due consideration be immediately given to it—

The last 17 words are red underscored—

and that everything be done in every direction to head off the present movement and to relieve the tension. We believe that as it stands to-day nothing could stop criminal prosecutions—

The last 12 words are red underscored—

and that the situation is dangerous where men like Burke, who have been in the business all their lives, regard trivial and irrelevant circumstances as conclusively proving unlawful operations.

It must not be forgotten that some have the impression the consumer is being badly used. Chairman Carlin at the close of the hearing said that even if the packers and live-stock men found they could adjust their difficulties amicably, there was still the consumer to be considered.

R. C. McMANUS,
J. E. CHAPLIN,
ARTHUR D. WHITE.

LAW DEPARTMENT.

These three men who signed it were a committee selected and appointed by Swift & Co, as a sort of clearing house in regard to matters relating to the Borland resolution—that was shown from records on their part.

They were authorized and instructed to answer all public attacks on the packers. The packers resolved to adopt a new course of procedure, and instead of letting the attacks go unanswered, to answer every one promptly, and that these committees were to get up the answer and then sign the answer with the name of whatever one of the so-called owners, like Armour and Swift, happened to be in Chicago at the time; that it would not do to sign Louis Swift's name if Louis was out in California, and in that event they would sign Edward Swift's name, if he was in Chicago at the time—that is all in the record as being method adopted—and they have been following that method up, only they have enlarged it and made it more comprehensive, and it branched out into this large advertising campaign.

Senator NORRIS. You are through with the letter?

Mr. HENEX. That is the end of the letter.

Senator NORRIS. Suppose you take up the question of advertising now.

Senator GRONNA. Before you go into that I should like—unless we are going into it again, Mr. Chairman—to know more about

this special fund which seems to have been set aside for political purposes. Evidently, from the statement of Mr. Heney, the packers set aside, if not a percentage, a certain amount to be used, and which I suppose has been used, either in the defeating of election of men holding political positions. I think that it is very important that the committee should have those facts, whatever Mr. Heney is willing to give us, or can give us.

Mr. HENNEY. I am perfectly willing to give you everything I can, Senator.

Senator GRONNA. I am sure of that.

Mr. HENNEY. Because, in a matter of investigation of this kind, I know no enemies and no friends. I have no purpose other than letting the public know in the proper way, officially—and that includes Congress, because they are the representatives of the public, and need to know even more than other people.

Senator GRONNA. I am not speaking for the committee, but I want to say this, that I think our feeling is mutual. I know that I am, and I am sure that the rest of the committee are, only interested in bringing out what is for the public good.

Mr. HENNEY. I assumed that, Senator.

Senator GRONNA. Yes.

The CHAIRMAN. Now, Mr. Heney, suppose you take up the question of the political activity of the packers, whatever the investigation disclosed in any way affecting not only Congressmen but any other public officials anywhere in the United States.

Mr. HENNEY. I really do not feel qualified to do it at this particular minute, for this reason, that I have not refreshed my memory any, and I only have some salient things in my mind, like I remembered about the \$15,000 expended on this Borland resolution.

Senator NORRIS. You could do that later, when you have had an opportunity to look it up.

Senator GRONNA. It appears to me, Mr. Chairman—

Mr. HENNEY (interposing). I could do it better that way.

Senator NORRIS. All right. We will get through with you, anyway, Mr. Heney, and you can look that up to-morrow. Suppose you take up the question of advertising now.

Mr. HENNEY. What is in my mind in regard to advertising, what I still recollect—and, of course, my memory may be at fault on some minor details of some of this, but of the substantial things I am satisfied that it is not; my recollection is that in 1915—and first let me say that what brought about the agitation on the part of these cattlemen was that in 1915 practically every feeder of cattle lost money; whereas it became known, especially in the reports of the packers which came out at the end of the year, that the big packers had made an excessive amount of money—many times more than had been made by them in the three prewar years, for instance, on an average.

The cattlemen thought that they ought not to be losing money when the packers were making so much money, and started this agitation.

Armour spent in 1915, as I recall it, about \$250,000. In 1916, in line with this educational campaign, as suggested by this program, Armour & Co. spent about \$650,000 for advertising. In January of 1917 or February of 1917 President Wilson directed the Federal

Trade Commission to make this investigation; and in 1917 my recollection is that Armour had spent about \$950,000 for advertising; and then at about the time I concluded my work in connection with this I learned from the expert accountants who were on the books that Swift & Co., from the time we commenced our public hearings in December, had been spending on an average of about \$1,000,000 a month for advertising.

Senator NORRIS. A million a month?

Mr. HENEX. A million a month. I do not know what Armour was spending.

Senator KENDRICK. Mr. Heney, let me ask you a question there: Do you have information as to whether or not this expenditure is allowed as a part of the legitimate expense in the collection of the Government as to income tax?

Mr. HENEX. I think it is. But I have no definite information; that is my understanding from what I can gather.

Not only that, but when it comes to those regulations, I want to show you something more.

I was asked about Mr. Cotton, and I would like to go into that a little more in detail.

Senator KENDRICK. I will ask you another question: Is it not true that a great deal of this advertising is for other purposes than for making sales of the products of the packers?

Mr. HENEX. The advertising is not for the purpose of making sales at all, a very considerable part of it, because it contains no information on the subject. It is obviously for the purpose of creating public sentiment in favor of the packers, of educating the public to believe the packers' propaganda, as to how economical they are and what a great saving their methods have brought about for the consumer, that he is getting things cheaper than he would get them otherwise.

Senator KENDRICK. Then, if this expense is in any way effective, it is by an indirect method, to say the least?

Mr. HENEX. Yes.

Senator NORRIS. Mr. Heney, are you able to say what kind of publications were advertised in?

Mr. HENEX. Why, yes.

Senator NORRIS. Are there any publications in which they did not advertise?

Mr. HENEX. I made some investigation in California, while I was there, after April. I made some considerable investigation, and as a result of it I think I am safe in stating that every newspaper in the State of California—daily, weekly, biweekly, triweekly, or monthly—was given advertising by one or more of the five big packers; and in no instance that I discovered did the packer ask for any reduction off the regular rate; they merely sent the advertisement, and said to run it, and then paid the bill.

Senator NORRIS. I was wondering if you had made an investigation. I made one pertaining to my State in the country papers and daily newspapers, and also in respect of the New York papers, that I saw, and I instructed my secretary to examine all the papers that come to my office and ascertain if there were any that should not contain these large display advertisements of the packers, but I was unable to find a paper—there are none that came to me that I have been

able to find that failed to contain them, and I was wondering if that covered the entire United States.

Mr. HENY. Yes; I think it did. And I found on their files letters written in 1916, where either Armour and Swift representative wrote up and said that they had not given the Scripp paper at Dallas the ad; they did not know whether it was worth while, because the policy of the Scripp papers all over the United States was against the packers, but they supposed that they might as well give it to them anyhow. And other letters in the files show very clearly that the purpose was to influence the newspapers to omit the publishing of information in regard to them, such as reports of the Federal Trade Commission, and to influence editorials their way.

While I was investigating the packers in Chicago, during the months of February and March, I received numerous letters from newspaper editors, small newspapers in every instance, over large areas of this country, some from Texas, I recall, some from California, some from Oregon, some from the State of Washington, inclosing me letters received by them from the big packers, inclosing clippings, sometimes from half a dozen to a dozen clippings, repints of editorials taken usually from large newspapers, Chicago newspapers or Washington newspapers or New York newspapers, an editorial in defense of the packers, and the letters would request the newspaper editor to "use this if he felt that he could." In the instances where they wrote me, they had written editorials denouncing the packers, as their answer to this request, and sent those editorials to me, along with these clippings. They sent back the clippings which had been sent to them in the letters, and in some few instances I put this into the record, showing what was taking place.

Senator NORRIS. I would like to call your attention to one particular advertisement, that, so far as I was able to gather, appeared in all the papers—it was a quarter page—it appeared in all the New York papers, Baltimore papers, and Washington papers that I looked at, and I made a search of most of them—I think the advertisement was by Swift & Co., in which they had no reference whatever to the sale of any of their products, but it was entirely in reference to the patriotism of the employees of Swift & Co. Did you happen to come in contact with that particular advertisement?

Mr. HENY. I did; and I also came in contact with the fact that they had been paying those very employees less than a living wage for many years—17½ cents an hour from the time they broke up the unions in 1904 down to 1916, for common labor—which means that if a man worked 300 days a year he was paid \$325 a year, when Dr. Chapin, in his studies in New York City—and he is recognized as the best authority on the subject—says that in 1905, 1906, and 1907—he completed his investigation in 1907—and he said that the American family of five, with three children under 14 years of age, could not possibly live on \$800; that \$900 for bare necessities was the minimum.

I saw an ad that was signed by all the five big packers, jointly, and this was shortly after the Federal Trade Commission's report was made public, and it was an attack on the correctness of that report. That appeared in every newspaper in the State of California, without an exception, so far as I know, and I made a pretty thorough investigation of it. That was paid for at regular rates.

We found in the files of the packers that they held a meeting in 1916, after this recommendation was made to this committee, where they agreed that they should educate the public, and they tried to agree on a joint fund for the purpose, and after several different sums had been mentioned they finally tried to agree on a million and a half as the amount for the year and the ratio in which they should subscribe that million and a half and how it should be handled. They could not agree on how it should be handled; each one seemed to feel that the other one might get an advantage out of the handling of it. So they never did consummate the plan; but they had many meetings in regard to it, discussed it over and over again, and Louis Swift was not inclined to put the limit of a million and a half on it, as shown by his letters, and during the same time they were discussing this was when Armour increased his advertising and Swift his and the rest, doubtless, in proportion.

Senator NORRIS. This advertising goes into the magazines such as the Saturday Evening Post and the Ladies Home Journal and Good Housekeeping?

Mr. HENRY. It goes into them, and Armour & Co. have just recently started a different campaign, a separate campaign on that subject.

Here, for instance, is the Farm Journal [exhibiting magazine to the committee], and this campaign is to go into all the farm papers and producers' papers in the United States, and Armour is making a contract with each of them, and I learned of one concern in Chicago—they publish six farm papers, and they had a contract for each one of the six.

Inquiry was made of the party in charge of the Chicago office of this farm journal as to what it cost for a page of farm advertising, and the reply was \$2,250. There [indicating] is Swift & Co.'s ad on the second page; that is, \$2,250 for that issue. That ad, I think, might go into the record, if there is no objection.

Senator NORRIS. You could not put the illustration in the record.

Mr. HENRY. No.

Senator NORRIS. What is the illustration?

Mr. HENRY. The illustration is simply packing plant and a sheep and a cow's head appearing there with a question mark around it, an interrogation point around it.

Senator NORRIS. They do not put in the goats?

Mr. HENRY. No. It reads:

DO YOU THINK THERE IS NO COMPETITION?

If anyone thinks there is no competition amongst the big packers he ought to go through a day's work with Swift & Company.

Let him begin at the pens when the live stock comes in; let him try to buy a nice bunch of fat steers quietly and at his own price without somebody's bidding against him.

Let him realize the scrupulous care taken at the plant that not one thing is lost or wasted in order that costs may be held to a minimum.

Let him go up into the office where market reports are coming in—and reports of what other concerns are doing.

Let him watch the director of the Swift refrigerator fleet, maneuvering it over the fact of the country like a fleet of battleships at sea.

Let him take a trip with a Swift & Company salesman and try to sell a few orders of meat.

Let him stay at a branch house for an hour or two and see the retail meat dealers drive their bargains to the last penny as they shop around among the packers' branch houses, the wholesale dealers, and the local packing plants.

And then, when the day is over, let him have half an hour in the accounting department, where he can see for himself on what small profits the business is done (less than 4 cents on each dollar of sales).

If he still thinks there is no competition in the meat business it will be because he wants to think so.

SWIFT & COMPANY, U. S. A.

A nation-wide organization owned by more than 23,000 stockholders.

That ad does not contain anything that is addressed to the consumer in regard to Swift's products, because these branch houses are wholesale houses. They sell only to the retailer, so that the consumer is not buying, and they do not even state here any article that Swift & Co. is putting out. This is a special article, meant to create public opinion.

And Armour's contract with the periodicals—this year's contract I am speaking of, and my understanding is—I have not very definite information on that, but gathering from talking with a gentleman who talked with several people, including the one who had these big publications, is that 95 per cent of the farm papers in the country have accepted this contract, and it is for publishing special articles—not an ad but special articles—and Armour's special article appears in here at page 10.

Senator NORRIS. The one you have been reading is whose?

Mr. HENRY. It was Swift & Co.'s.

Here [indicating] is Armour's on page 10, and that also is much more effective at the present time. It has a heading on it of soldiers and sailors eating from plates.

Senator NORRIS. That is a full-page ad?

Mr. HENRY. A full-page ad at \$2,250 for one issue; and he has a year's contract with them for this paper, as I understand it; that is my information:

FEEDING AMERICA'S FIGHTING MEN.

If your boy or your neighbor's boy is serving Uncle Sam he is being fed the best food in the world. Only the heaviest quality steers that come into the Armour plants are reserved for Government provisioning. They must be the finest beef animals obtainable. The choicest corn-fed hogs go into Army and Navy bacon. And every ounce of this food receives triple inspection—first, by Armour's own inspectors; second, by Federal experts; third, by special inspectors from the Army itself.

MEETING THE NATION'S NEEDS.

America has the best-fed Army and Navy in the world because you, as a live-stock grower, produced the type of animals needed, and because concerns like Armour and Company were equipped to deliver to the Government the vast quantities of meat required without delay.

Instead of the confusion which must have resulted in issuing requisitions here, there, and everywhere the War Department was able to take advantage of the system and organization of Armour and other large concerns, and its needs were filled instantly.

ONE THIRD OF ARMOUR'S OUTPUT.

For a considerable period Armour and Company have been shipping over a hundred carloads of meat a day to the Army, or virtually 75 million pounds of meat a month. In one order Armour's refinery department supplied the Government with two million pounds of lard.

Today approximately one-third of all the Armour output—one-third of all the Armour activities—are devoted to serving the Government. No matter how great the future food demands of our Army and Navy, they will be met through the whole-hearted co-operation of the producers of this country, working hand in hand with the packing industries, with one common end in view.

Armour's quality products—This is the mark under which your best products reach the consumer.

ARMOUR AND COMPANY, CHICAGO.

Our national agricultural system has evolved the county agent, whose duty is to assist the farmer in getting reliable farm information from all possible sources and applying to local conditions and to demonstrate the value of science when applied to farming. The work of these agents is a rapidly growing factor in the development of our agriculture, and Armour and Company have pleasure in endorsing this national movement. They may feel free to use the facilities of this company for securing information on marketing and market problems.

It is an appeal to the sentiment of the housewife; it can be said to be an appeal to the consumers. It is an ingenious appeal to the consumer, based upon sentiment, but it does not say very much about Armour's products, and obviously it is to meet and counteract the Federal Trade Commission's report.

Senator GRONNA. Of course, there are two ways in which an expenditure of money by the packers will apply. In the first place, as Senator Kendrick said a moment ago, the Government would lose income tax. Suppose the packers should use \$12,000,000 a year for advertising; that would go into the business expense and would not be taxed. So we can not apply any item of tax to that.

In the second place, the cost of those things must necessarily be added as a legitimate expense. I may be mistaken in my conclusions, but I would like to have your conclusion as to that; would it not really be a double tax?

I want it understood that I have no fault to find with any legitimate business wanting to set itself right with the public.

I think it is not only a privilege but their duty to do so. I think sometimes a business is attacked when it should not be, and the result is not beneficial to the public. I have known of instances where that has been done, but let us suppose that this advertising is unnecessary, in order to conduct the business of the packers, and some people seem to believe it is unnecessary. In the first place, the Government of the United States, which now needs every cent it can get together, will lose through the income tax; it will not be taxed.

In the third place, there will be an additional expense for carrying on this advertising, which necessarily must be taxed through the consumer.

Am I right in that conclusion?

Mr. HENEX. Undoubtedly, Senator. The consumer has to pay all of that. That is where it finally lands and the Government loses a considerable proportion of its taxes.

I think if inquiry were made of the proper Government officials, it would be found that as the result of the Federal Trade Commission's investigation of the packers' books the Government has secured additional income tax in excess of the total amount expended in this investigation. I do not know how much it is, but I know they got some more, and I am inclined to think that it is more than the amount involved in this investigation, and probably many times more.

Senator NORRIS. Can you tell us how much in the last year, for instance, all of the five packers spent in their advertising propaganda?

Mr. HENY. No, Senator, I can not. That was one of the things which I requested the packers to furnish us data on, before I quit the investigation. It is possible that the expert for the Federal Trade Commission, who has been acting as expert for the Food Administration also, Mr. Chase, who is here in Washington at the Federal Trade Commission, can give you that information.

Senator KENDRICK. Mr. Chairman, are we through with the advertising?

Senator NORRIS. So far as I am concerned. I have sent for a particular advertisement, which I want to put in at this point, but it has not come yet.

Senator WADSWORTH. I think—I do not mean to read the witness's mind or to interpret all the conclusions he reaches—but I do not believe the witness means to contend, in answer to the Senator from North Dakota, that the cost of advertising, generally speaking, is reflected in an added cost to the consumer.

Senator GRONNA. I will say that—

Senator WADSWORTH (interposing). Otherwise the advertising would be uneconomical, if that were the case.

Senator GRONNA. My only reason for stating it in that way was based on the testimony of Mr. Cotton. I questioned him very carefully when he was before this committee recently. I am referring to Mr. Cotton's statement.

Mr. HENY. I think unquestionably, Senator, that the consumer pays it all. I think that it is a result of advertising eventually; that the cost of a thing may be lessened to the consumer in this way; that it produces a demand by teaching the consumer to use the article. I have in mind particularly California ripe olives, which at first were not liked at all; and the grapefruit is another illustration which had to work its way, and so on.

But, take the general proposition as to whether or not the consumer pays for the advertising—certainly he must pay for that as much as he pays for any other one thing that is done in the way of overhead expenses.

Senator WADSWORTH. There is no question but what the consumer pays for the advertising; but I venture to say that in the majority of instances where a product is highly advertised, and thereby attains popularity, the fact that the consumer pays for the advertising does not mean that it has been a burden to him.

Mr. HENY. It is a burden to the consumer who pays it, because he may die long before the time arrives, Senator, when there is any reflex action.

Senator WADSWORTH. Then you think the consumers of California ripe olives, when the California ripe olive first came on the market, carried a burden beyond the exact proportion in the matter of advertising?

Mr. HENY. Certainly; all those who ate those olives paid for the ones who are eating the olives now, who are getting their olives cheaper.

Senator WADSWORTH. Is not that the greatest good to the greatest number? In other words, is advertising a proper economical effort? I have always thought so.

Mr. HENEY. Now, you are putting another question to me.

Senator WADSWORTH. It would not be a proper economical effort if it raised the price of the product to the consumer?

Mr. HENEY. Now you are putting another question to me which I can readily answer. I think that proper advertising is a proper economical expenditure, within reasonable bounds. And then, again, you say, what are reasonable bounds, because patent medicines depend entirely upon advertising, and I do not think the consumer gets any benefit from them in many instances.

Senator WADSWORTH. Who is going to pay, I would like to know.

Senator NORRIS. I think it would be generally conceded that you might carry your advertising to such an extent that it would be entirely illegitimate and unreasonable, and in that case, wrong, of course.

Mr. HENEY. But this case of advertising which I have just read does not advise the consumer of anything which the consumption of which is going to increase thereby, in my opinion.

Senator WADSWORTH. I am not referring to this particular advertising; I was referring to Mr. Heney's answer to the Senator from North Dakota, in which he stated that the cost of advertising was placed upon the consumer, and the inference being that the advertising was unjustified for that reason.

Senator GRONNA. I was very careful when I asked the question; I used the word "unnecessary," and I hope the committee did not overlook that fact. I consider the article which was sold only by one concern, at least, and necessarily has to be used, and when that advertising does not increase the output of it, that that advertising is unnecessary, and in such a case I think that the cost necessarily increases the cost of the product to the consumer. I know, of course, as an experienced man in business in a small way that it is necessary to advertise a product which is unknown.

Mr. HENEY. But the report of the Federal Trade Commission has not criticized the quality of the goods put out by the packers at all. It would have no tendency to cause people not to eat those goods, and, as to a large part of these goods, the consumer has to take the packers' goods or none at all, because there are not enough in the market otherwise to supply the public.

Senator KENDRICK. Have you finished?

Mr. HENEY. I think I have.

Senator KENDRICK. Mr. Heney, did the investigation of the Federal Trade Commission include any study as to the profits of the packers?

Mr. HENEY. Yes. We had quite a number of accountants upon the books of the packers. They were put on there before I was connected with the investigation, and they had worked on those books up to the time that Mr. Cotton was appointed to regulate the packers. And then they were notified to quit. Those in charge of the work, Mr. Chase, Mr. Tator, Mr. Kravitz, and some other two men, were of the opinion that they should not quit until they got certain other information, which they specified, but Mr. Robertson, the economist,

who had charge of that end of it for the Federal Trade Commission, told them to stop without getting this other information; and they did stop; and as far as making anything out of the work they had done, it was not of any value whatsoever in reaching any conclusion; and they are of the unanimous opinion, as expressed to me, that you can not tell anything accurate about the packers' costs from their books.

Senator NORRIS. Mr. Heney, I would like to inquire about the salary list of the packers. Do you know what the various officials get?

Mr. HENNEY. We have a list of that, Senator.

Senator NORRIS. Can you furnish that?

Mr. HENNEY. Yes. I think the Federal Trade Commission will let me have it to bring here to the committee; I have no doubt they will.

Senator KENDRICK. Mr. Heney, there have been at least one or two statements made before the Senate as to the percentage of live stock that become a part of interstate commerce that the large packing companies handle. Do you have any information upon that point?

Mr. HENNEY. Yes. The report of the commission as compiled shows that the packers buy 82 per cent, as I recall it, and a fraction of all the cattle sold at all the stockyard centers, the aggregate of all. They buy 61 and a fraction per cent of the hogs. There are more independents packing hogs, many more than there are packing beef cattle.

It states sheep, also, but I do not recall the figures now, Senator. It is in the first report of the Federal Trade Commission. I will turn to that.

The packers claim, in Swift's reply, that they only handle about 33½ per cent, I think it is, of the cattle, and the experts in the commission say that is by figuring all cattle killed on the farms and those that do not come to any stockyards.

Senator WADSWORTH. And local butchers?

Mr. HENNEY. And local butchers. There are very few local butchers, Senator, in the United States, comparatively. When I say "comparatively" I am talking of bulk now, because the packers have adopted a car-line system, and they send those cars into many thousands of towns where they have no branch houses. I think one of them sends cars into 23,000 such towns. We have the figures on that. Those cars run in there and their contents are sold at a price which puts the local slaughterer out of business, and then the packers increase the price.

Senator KENDRICK. Mr. Heney, have you any record or statistics—

Mr. HENNEY (interposing). Pardon me one moment, Senator—may I complete that answer? It is obvious that what is killed by the local butchers has no effect on the general market in the United States. The price of cattle to the bulk of the consumers in the United States is based upon what is sold in the stockyard centers, because that is the bulk of all the cattle used in all the large cities. There are no local butchers in the large cities. The large cities get all of their meat supply, practically all of it—an infinitesimal part it would be killed by the local butcher—from the big packers and from independent packers, and mostly the big packers; and it is shipped in from a distance to most of these large cities.

Now, therefore, the market price at Chicago and at these packing centers is what fixes the price of meat in the large cities, and if there is no competition at the stockyards where this bulk of the meat that is used in the large cities is sold to the packers, then what difference does it make whether there is any killing of cattle locally for a limited consumption—limited area consumption outside of that? It does not affect the question; it is not in competition with the big packers; it does not affect the big packers' price or the cost to the consumers in the big cities, because they are careful not to let that local butcher invade their territory. If he undertakes to invade it at all he will soon be put out of his business.

Senator WADSWORTH. He could not invade it in any event unless there was a collusion, unless he could compete in by-products, which is almost impossible.

Mr. HENEY. No. But that is a difficult thing to be done by co-operation among producers, farmers, and it has been tried time and again, and every time it has been tried the big packer proceeds to put the cooperative concern out of business.

Let me illustrate now how this is done, if I may. Here is Hornel, at Austin, Minn., that is one of the largest independent concerns left in the United States in the pork-packing business outside of New England. There is Morrell, at Ottumwa, Iowa, and Jacob Dold, at Buffalo, who has a plant at Wichita, and Hornel at Austin, Minn. Hornel has one of the most modern plants in the United States—about a million dollar plant, a beautiful plant. He conducts his business in a modern way. He started as a butcher boy, driving a wagon, and has grown up with the business. He located in the center of one of the finest hog-producing regions in the United States. He adopted the policy of paying to the farmer who will deliver at his door, either in wagons or by train, the Chicago price of that morning—of the morning of the day of delivery.

That would save the farmer the freight to Chicago and the commissions he would have to pay, and Hormel grew from practically nothing to this \$1,000,000 plant. His employees are allowed to own stock in the corporation. If the employee quits, he must surrender the stock; but he gets book value for it, so that if it has increased any in value, he gets that increased value. Hormel is producing his hams and bacon as efficiently as any big packing company in the world. He is competing in Chicago with fancy hams and bacon very successfully with the so-called big packers.

Before Tom Wilson became president of Sulzberger & Sons Co., later Wilson & Co. (Inc.), Sulzberger & Sons Co. went 25 miles away from Austin to Albert Lea, where there is a line of railroad, where there was a plant that had gone out of business, and bought it and rehabilitated it—just a small plant—and started buying hogs around Hormel. Cudahy also got a concentration station established 100 miles up the railroad the other side of Hormel—the other side coming from Chicago—and a concentration station means that hogs shipped in from the other side toward Chicago may be unloaded at this station, sorted, graded, reshipped on the original through freight. We found in the files of Wilson & Co. correspondence and instructions that their men were instructed to go and buy all around Hormel and as close to him as possible, and even to buy at a loss, and ship straight to Chicago over the railroad on the other side of Hormel,

the object being to force Hormel to go farther away from home to buy his hogs and to incur the freight cost on his hogs which the big packer incurs in Chicago.

I called Mr. Hormel to St. Paul as a witness, subpoenaed him, and I asked him how far he had to go from Austin now—he used to get all of his hogs in the immediate vicinity—and he said he had to go a thousand miles for a considerable portion of them, away out the other side of St. Paul for many of them, by reason of the fact that this buying was taking place around him. After surrounding him and doing this, then they approached him on the proposition of buying him out, and I found the correspondence to that effect.

What did Mr. Hormel do? I said to him, "How is your credit?" He said, "Good." I said, "Who do you bank with?" He said, "The First National Bank of Chicago." And he told me that he had a credit of \$250,000 and that he could increase it to \$500,000. I think he said. The bank has so notified him "lately," and since Wilson & Co. had offered to buy him out. I said, "Do you know that Tom Wilson is one of the trustees of the Edward Morris estate, and that Edward Morris was one of the heaviest stockholders in the First National Bank of Chicago when he died?" It is known as a Morris bank, and is commonly called the "Morris bank." He did not know that; never had heard of it. I do not say they would do it to him, but it had been done in the past. [Laughter.]

Another illustration of the menace of the banking control in the packing business—and again I make no charges; I only want to show the situation. Old Jacob Dold's companies "roll" about \$1,000,000 of notes—you know what I mean by "rolling" his notes—they keep renewing their notes or paying them as they fall due by putting new notes in some other banks. They borrow from Peter to pay Paul. This is a common business practice. The notes are usually bought and sold by note brokers.

Senator KENYON. Before you get away from the packing situation in Chicago, are there other banks known as Armour banks?

Mr. HENRY. The Continental Bank was founded by Philip Armour, and J. Ogden Armour is the dominating factor in it. The Fort Dearborn National is known as the Swift bank. The Hibernia Bank is a subsidiary of the Continental Commercial, and, as you gentlemen all know, it is the practice nowadays for each large bank to have a number of associated banks that are controlled by them, or that are allies at any rate; and from my study of the banking conditions in Chicago I should say that the National Bank, Continental Commercial, and the Fort Dearborn Banks, with their subsidiaries, come pretty nearly dominating the financial situation in Chicago.

Senator WADSWORTH. Mr. Henry was going to say something about Jacob Dold & Co. I must go in just a minute to attend another meeting, but I happen to know something about that company.

Mr. HENRY. Jacob Dold & Co. is rolling these notes. The Chase National Bank got 20 per cent of the stock of Wilson & Co. in this deal by which Wilson & Co. was organized. There is a committee of three bankers, representing Kuhn, Loeb & Co., the Chase National, and the Guaranty Trust Co., respectively, that have a veto power on Wilson's purchases, and Wilson & Co. started out on a campaign of acquiring additional plants and facilities, and a letter appeared

there from the president of the Chase National Bank in Wilson's files asking Tom Wilson what about the Jacob Dold notes; that they were in circulation, and "they come to us frequently," and "ought we to buy them?" "What is their condition?" Tom Wilson wrote back and said he was in good condition; that his notes were all right. But a short time afterwards—and I have forgotten the length of time, whether it was a few weeks or months—there is another letter from one of the three bankers to Tom Wilson saying, in substance, "Do you not think the time has arrived when we ought to acquire the Jacob Dold Co?"

Now, there is nothing in the correspondence that indicates any attempt of any kind to do any injury to the Jacob Dold Co., but this inquiry about the Jacob Dold Co. notes had been answered before the other inquiry was made of Thomas Wilson about acquiring Jacob Dold & Co.; but the aspect that there is in this situation, the potential power for evil that is there, is alarming, because if those great big group of banks should pass the word out that the Jacob Dold notes are not to be purchased by them or their subsidiaries, Thomas E. Wilson & Co. (Inc.) could acquire the Jacob Dold Co. at practically its own price in a very short time. Or if they took a position against financing the Jacob Dold Co.—the Jacob Dold Co. is now being refunded at this very moment—

Senator WADSWORTH (interposing). It is in perfectly good condition?

Mr. HENY (continuing). By these banks, and it is in perfectly sound condition. But that does not remove the objection to such a dangerous situation, especially in view of past history.

The Tennessee Coal & Iron Co. was acquired by the Steel Corporation. We have many instances of what can happen.

Senator NORRIS. You mean to say, as I understand it, that it is within the power of these packing plants, through their financial connections, to absolutely put Jacob Dold out of business or to buy him at their own price?

Mr. HENY. Yes.

Senator NORRIS. And the same thing in regard to those other packing plants?

Mr. HENY. The same thing in regard to the other packing plants. They are trying to get Hormel's plant. They have the power to crush Hormel out, and without crushing him out by what would be looked upon as an unmoral thing in the way of a financial deal, if they took advantage of his credit—without doing that they are driving him out slowly by taking away the only advantage that he had as against the many advantages that they have, like the refrigerator cars and the stockyards and the earnings from those, and so on, that are coming in to them in addition to their ordinary profits on meats.

Senator NORRIS. Mr. Heny, did your investigation show anything about a farmers' cooperative packing establishment that existed, or does exist, at Madison, Wis.?

Mr. HENY. Yes.

Senator NORRIS. Do you know anything about that?

Mr. HENY. I think that is the company Mr. May is at the head of, is it not?

Senator NORRIS. I do not know.

Mr. HENNEY. If it is, I have his testimony in regard to how they treated him.

Senator NORRIS. What did they do with him?

Mr. HENNEY. Mr. May's testimony is that the big packers would take turns at selling meat in his territory below cost. One would sell below cost for a week, and then the next week another one would sell below cost, and so on.

Senator NORRIS. What has been the result there?

Mr. HENNEY. Of course, it takes his customers away from him.

Senator NORRIS. Is he still in business?

Mr. HENNEY. I think he is; that is, he was at the time I took his testimony, but I have not heard of what has become of him since.

Here is another way they do: They will accumulate a surplus, or they will announce that one big packer has a surplus at the end of a week, where five of them are in the town and they have independent competitors in the wholesale business—one will announce a sale. He will say he has got a surplus of such and such a kind of meat, and that he is going to sell it cheap; and the retailers will come around and buy it at a price away below what the independents can afford to sell it at; in fact, it would be a loss to any of them and is a loss to the packer who is selling; and the packer's excuse is that he has to get rid of it. But the next week another one of the big packers will do the same thing, and they take turns on that, and in that way they gradually put out of business the small ones.

And then another way they are doing the wholesaler is being eliminated. In practically every hotel that is built now in any one of the large cities some one of the big packers takes stock. For instance, Armour has \$250,000 stock in the Biltmore Hotel. Each one of the big packers has in these large cities what they call a supply company. They have them right here in Washington, by the way, and these supply companies are not organized in the name of the big packing companies.

Senator KENYON. Which hotel do they own stock in in Washington?

Mr. HENNEY. They have stock in the Washington, and I have forgotten whether the others were put up before they started this plan or not.

Senator NORRIS. Do they want to control the hotel, too?

Mr. HENNEY. They do not want to control the hotels; they just want to control the sale of all the food supplies to the hotels. [Laughter.] And the packers are not limiting themselves to meat. The packers are selling practically every food product there is to-day, and that is where the danger comes in now—the great danger. I am convinced that unless some of the instrumentalities by which their advantages are maintained are taken away from them absolutely—and I think that licensing those instrumentalities would amount to just about as much as a mosquito biting the hide of a rhinoceros—I see no remedy that will be effective except Government ownership and operation of these particular instrumentalities, and those particular instrumentalities are, first, the refrigerator cars, and in connection with them the icing plants for the icing of the cars, and, secondly, of the stockyards and the terminal railroads in conjunction with them, and third, and just as important as the others,

and maybe more important from the standpoint of the consumer, the branch houses and cold-storage plants.

Senator KENYON. You do not favor the Government owning and running the packing houses?

Mr. HENRY. I do not, Senator; and I may say that 10 years ago I was loathe to believe—I was a Thomas Jefferson Democrat, and loathe to believe that the Government should ever attempt to run anything.

Senator KENYON. Are there many of those Democrats left? [Laughter.]

Mr. HENRY. I do not know; I remember when I was conducting—

Senator NORRIS (interposing). The packers are not trying to get them, are they? [Laughter.]

Senator KENDRICK. I am not so much concerned about the number of Democrats as I am about the number of packers.

Mr. HENRY. Neither am I, Senator.

Senator KENDRICK. Did your investigation include an inquiry as to the number of individuals and corporations engaged in the packing-house business at that time as compared to the number engaged in the past?

Mr. HENRY. Yes, Senator; they have been growing less very persistently and regularly, and so has the trader in the stockyards, until he has almost disappeared. When the five big packers came to the Food Administration, when the regulation of them was first started, the first proposition they presented to the Food Administration was that the Food Administration should prevent traders in the stockyards, eliminate traders as an economic proposition; yet he is about the only competition that is left, and it is mighty small.

Senator GRONNA. We in North Dakota—I am from North Dakota, Mr. Henry—started a packing plant at Grand Forks. Do you know anything about that? That was an independent plant.

Mr. HENRY. I do not, Senator.

Senator GRONNA. It is only recently.

Mr. HENRY. I think it is probably since I quit.

Senator GRONNA. I was anxious to know if you knew anything about their connections. There is another plant which I would like to inquire into, which is one at Cedar Rapids, Iowa—Sinclair & Co. Do you know anything about them?

Mr. HENRY. Yes; that is no longer Sinclair & Co., but it is Armour & Co., as I recall it.

Senator KENYON. Mr. Henry, I was going to ask you, if you are through with those individual illustrations—I was unable to be here at the beginning—and if you are I want to ask you a question. Have you spoken of the control of the packers of such public utilities as street-car companies, gas plants, electric-light plants, etc.?

Mr. HENRY. No; I have not, Senator, at all. In Sioux City, where Swift & Co. control the stockyards, they control also the street railroads and most of the public utilities; in Kansas City, Armour controls the street railroads. They own real estate in large blocks in some of these places, and they own them jointly, and they are jointly interested in a hundred different propositions; usually

Armour, Swift, and Morris are the ones who are jointly interested. Sulzberger and Cudahy did not figure so much, or any to speak of.

Senator KENYON. How did they acquire these things on the small profits that we read of in the Swift advertisements?

Mr. HENNEY. They do that with their personal fortunes, Senator. [Laughter.]

The personal fortunes I do not know just exactly how they are acquired. I saw in Armour & Co.'s books, "J. Ogden Armour, No. 4." Let me refer to that, to show you what I mean. Mr. Croll, the treasurer of the company, testified before the Federal Trade Commission that that account was Armour & Co.'s; that it owns the stock of that Maine company, which gives them the interest along with Prince, controlling the stockyards at Chicago. I said, "When did it become Armour & Co.'s; was it always Armour's?" "No; it was originally J. Ogden Armour's individually." "When did it become Armour & Co.'s?" "I do not know just when it was." "Well," I said, "was it this year?" "Yes," he said, "it was some time this year."

Now, that is after our investigation at Chicago. I am giving my best recollection on it.

I said, "Well, how was it done?" "Well," he said, "Mr. Armour told me to consider that Armour & Co.'s now." And I said, "You did not put anything on the books to show there was any change?" "No." "There is not anything on the books to show it was originally Ogden Armour's individually?" "Nothing; it merely appears 'J. Ogden Armour,' with no explanation." "Is there any book that contains any explanation?" "No." "Is there any writing anywhere explaining it?" "No." "Then, if Mr. Armour was to die to-morrow the only proof there is that that is now Armour & Co.'s is your statement that he told you to consider it that?" He said, "That is all." Now, that consists of an investment of \$194,000 only for which, with the watering of the stock from \$1,000,000 to \$8,000,000 gives Mr. Armour over \$1,500,000 of stock—now Armour & Co. The regular dividends on that have amounted to \$360,000, at 5 per cent, and an extra dividend of 3 per cent at the time we made our investigation, in cash, on a total investment of \$194,000. There is over \$1,500,000 of stock that is drawing regularly 5 per cent, and has already drawn down \$360,000, and nothing in the books of Armour & Co. to disclose or determine whether it belongs to Armour & Co. or to J. Ogden Armour individually.

I would like to take up with the committee the fact that there were three separate propositions in acquiring the stock yards and how they acquired the control of them.

Senator KENDRICK. Mr. Heney, may I interrupt you here.

Mr. CHAIRMAN. It is nearly 1 o'clock.

Senator NORRIS (interposing). I did not get the last answer.

Mr. HENNEY. I said I would like to take up the stock yards question and develop it.

Senator KENDRICK. Can we meet this afternoon?

Senator GRONNA. This afternoon when we go on I would like to go into that plant at Cedar Rapids a little more, and find out how that company was acquired by the big packers. That was a large business at one time.

Mr. HENNEY. Sinclair?

Senator GRONNA. Yes.

Senator KENDRICK. I suggest, Mr. Chairman, we take it up after an hour for luncheon.

Senator NORRIS. Suppose we take a recess until 2 o'clock. Will that suit you, Mr. Heney?

Mr. HENNEY. Yes, sir.

Senator NORRIS. Then we will recess until 2 o'clock this afternoon.

(Thereupon, at 12.55 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., Hon. George W. Norris presiding.

Senator NORRIS. You may proceed, Mr. Heney.

STATEMENT OF FRANCIS J. HENNEY—Continued.

Mr. HENNEY. I want to correct two statements made by me this morning—minor particulars. In the first place, I said that the contracts with these farm papers were made for a year. That was told to me. That was not part of what I gathered from my investigation, but it was told to me by a Government investigator recently, and I find I was inaccurate in my memory. They are not made for a year, in so far as he knows, but Armour gave these people—Armour's representative gave these people to understand that it was to continue as long as the necessity for educating the public existed along these lines; and Swift's advertisement in this paper, this pamphlet that I read from, this magazine, farm journal—I think they have carried it away—it has been running, I think, since last May, and I don't know just when Armour started his advertisement. About \$2,250 they paid, which would make those two pages \$4,500 and would make \$54,000—\$2,250 was it, or \$2,150? At any rate, it would make them somewhere around \$54,000 for the year.

Senator NORRIS. Well, do you suppose, Mr. Heney, if these papers editorially were obstreperous and mean, that it would have anything to do with the feeling on the part of the packer that the public did not need any further education?

Mr. HENNEY. Yes; as to that particular paper it would, undoubtedly, Senator. And that is the most important part of this thing. Here is a letter addressed "For the Editor," issued by Armour & Co., signed "R. D. MacManus," headed "Armour and Company, general offices: Union Stock Yards, Chicago, Ill.," and "Publicity Bureau" is on there in red print. It has been sent out to these papers and says:

For the Editor: At the recent meeting between several farm journal editors and packers at Chicago, about which you have already been advised if you were not actually there, one of the editors said:

"Many farmers have asked me who owns the stock yards—the packers or the farmers? Do the packers own the stock yards and sell hay? Just how are they owned?"

Here are the facts:

Toward the close of the Civil War, when Chicago was becoming the great live-stock center of the Middle West, it became necessary to provide some means for taking care of consignments of cattle sent to the Chicago markets. What was regarded as the most desirable provision was a sort of public watering and

feeding place, where live stock might rest and regain good form after the trying train journey.

It was proposed to form a company to finance this public necessity, and, naturally, those most interested in the buying and selling of live stock were looked to to supply the money. Commission men, dealers in live stock, speculators, bankers, and packers, both great and small, all joined together, and in 1885 the Union Stock Yard & Transit Co. was formed. It is this company which owns and controls the stock yards. The packers do not control the yards in any sense whatsoever, though, and they are held to the same rules and receive the same treatment as anyone else doing business in the yards.

Perhaps it is but natural, since the packing organizations are always identified in the public mind with the stockyards, that they should be blamed, erroneously, for faults which are bound to occur from time to time in the operation of such a large institution as the Union Stockyards. This, too, no doubt, often prevents shippers and others who feel that they have a grievance from preferring their complaints to the proper authorities—the Union Stockyards & Transit Co.—who are sincerely anxious to have an opportunity to adjust such complaints, and who will, on conviction, assess the guilty parties a heavy penalty and see that full restitution is made to sufferers.

Of the board of directors, not one member is connected, even distantly, with the packing interests. The chairman is Mr. J. A. Spoor, a director of the First National Bank, Chicago, and other large banks; the president, Mr. Arthur G. Leonard, is a director of the Live-Stock Exchange National Bank, the Stockyards Savings Bank, and similar institutions. The directors are: Mr. La Fayette Funk, of Bloomington, Ill., farmer and stockman; Mr. Eugene V. R. Thayer, president of the Chase National Bank, New York; Mr. Ralph M. Shaw, attorney at Winston, Straun & Shaw, Chicago; Mr. R. Fitzgerald, president of the Chicago Junction Railway Co.; and Mr. F. H. Prince & Co., bankers, Boston.

"I know that there is a general belief that the packers own the stockyards," said Mr. O. T. Henkle, general manager of the Stock Yard Co. recently, "but the fact is that there isn't a packer, nor a representative of a packer, among our whole list of officials. The stockyards are wide open. You have only to visit the yards to see that scores of businesses besides the packing industry are represented there. Anyone can come in and do business here or establish in the yards on the same terms as anyone else. There is no preferential treatment for the packers, large or small. They do not get it nor expect it, and obviously, it would not be possible to accord them such treatment at the expense of other concerns in the yards and expect to get away with it."

The union stockyards are operated as a live-stock market; not just for the benefit of the packers. In normal times from 30 to 40 per cent of the live stock that reaches the yards is shipped out again. This demonstrates clearly that the yards are not merely packer adjuncts. Anyone wanting live stock can go into the open market at the stockyards and buy it in open competition with buyers for the packers.

The Union Stock Yard & Transit Co.'s report for 1917 shows that in spite of the fact that war-time demand had increased to an unusual extent the packer's live-stock requirements, of the total of 255,093 carloads of live stock that reached the yards, no less than 57,054 carloads were purchased by outside buyers, not connected with any of the scores of concerns, large and small, in the yards, and were shipped out again.

ARMOUR & Co.
R. D. MACMANUS.

I undertake to say that there isn't a single statement of fact in that that is true.

Senator KENYON. The date is correct, is it not?

Mr. HENNEY. Literally true, I mean?

Senator KENYON. The date is correct, is it not?

Mr. HANNEY. There is no date on it.

Senator NORRIS. That shows how anxious they were to avoid the truth.

Mr. HENNEY. In the first place, there is not a single man connected with the stockyards as a director who is not tied up absolutely with the packers. Mr. Spoor is one of the trustees with Tom Wilson, as

I recollect it, of Edward Morris's estate. It says here that he is with the First National Bank—a director of the First National Bank. Of course he is, on Edward Morris's stock. It says "the president, Mr. Arthur G. Leonard, is a director of the Livestock National Bank," a packer bank. I had Mr. Leonard on the witness stand in Chicago just the other day in an arbitration proceeding, and I asked him who were the officers of this company, and he named them, and then I said:

"Well, doesn't the New Jersey corporation own all the stock of the Transit Co.?" He said, "Yes." "Well," I said, "who selects you, then, as president and as a director?" He said, "Mr. Spoor." "Well," I said, "who selects Mr. Spoor? He hasn't any stock either." He said, "I don't know." "Well," I said, "you don't know who controls the New Jersey corporation?" "No," he said. Then I said, "You haven't been reading the newspapers lately, have you?" Now, that statement can't be accurate, that he did not know, that he doesn't know now. And formerly the board of directors was composed of representatives of each—Armour, Swift, and Morris. Arthur Meeker was on the board, and I have forgotten who the others were. They were either on the Junction Co.'s board or the Transit Co.'s board, and it is one and the same thing. All the stock of the Junction Railroad Co. is owned by the New Jersey corporation, and it performs the function of running the terminal railroad. It did do it on a lease from the Transit Co. up to the time the Supreme Court decision in the Pfaelzer case; then they thought they might get away from that, so that the Transit Co. would not have to be under the control of the Interstate Commerce Commission—the stockyards itself—and they had the Junction Railroad Co instead of paying its profit as the rental of the lease pay a fixed rental; but the only difference is that instead of the profits going over to the Transit Co. and then going to the New Jersey Co. as a dividend it goes straight from the Junction Co. to the New Jersey Co. as a dividend.

Mr. Spoor is one of the trustees of the central manufacturing district. Mr. Condon is another. Those men are nothing but salaried men. Mr. Spoor admitted to me under examination—I examined him in Chicago; talk about not examining packers—in his own office, and he said that the Central Manufacturing District was owned entirely by the New Jersey holding corporation, and that he was a mere trustee. They prefer the matter in the hands of trustees rather than in the hands of the corporation, and that is making tremendous money now, and the property is increasing in value—the real estate—at a tremendous rate, because they are establishing big manufactories out there. It is in the heart of the railroad center of Chicago, and you can't get in there except by a lease from these trustees. You can't get any chance to establish a packing plant anywhere near the yards within this property except by getting it from these men, and Prince and Armour absolutely control the election of the board of directors of the New Jersey corporation, and through the New Jersey corporation they just dictate who shall be the directors of these other corporations. And, as I pointed out, Prince doesn't care anything about it; so it is Armour now, to whatever extent he lets Swift and Morris or Wilson participate is up to Armour, depending upon their other relations.

Here is Mr. Thayer there, Eugene V. R. Thayer, president of the Chase National Bank. We had difficulty in finding out who owned the Kansas City Stock Yards. Eugene V. R. Thayer was president of the Kansas City Stock Yards. There stood in his name something over 6,000 shares, as I recall it, and I subpoenaed him here to Washington and put him on the witness stand under oath, and asked him who owned it. He said Morris. I said, "Did you ever own it?" "No," he said, "it was put into my name at the time of the reorganization when Morris took it, and I have it for him. I held the certificate just long enough to indorse it in blank and hand it to Morris." So he is the president of the company, and he didn't own any stock; or if he did, it was just a few shares. But it is very convincing to hold out the name of the president of the Chase National Bank of New York as president of the stockyards company. A king can do no wrong.

Mr. Fitzgerald, as I recall it, is some relation by marriage there with one of the big packers—president of the Chicago Junction Railway.

Now, Swift & Co. have their statement in regard to stockyards in a pamphlet issued by them August 19, 1918, and it went into the Congressional Record about the same time that the Federal Trade Commission of July 3, 1918, did; and the only difference I see in there is that the Swift & Co.'s statement appears first, and appears in large type, and the Federal Trade Commission in such small type that it is trying on the eyes to read it.

Senator KENYON. You mean that is the way it appears in the Congressional Record?

Mr. HENNEY. Yes.

Senator KENYON. In a different kind of print.

Mr. HENNEY. Yes.

Senator KENDRICK. Did you never notice that?

Senator KENYON. No.

Mr. HENNEY. Well, I was just reading it last night was the reason I noticed it.

Senator KENYON. We had some trouble getting the other in, I know.

Mr. HENNEY. Now, I want to read what they say about the stockyards, if I may.

Senator KENYON. Do you know what page that is on in the Congressional Record?

Mr. HENNEY. No; I do not Senator, but I am not sure but I have it right here.

Senator KENYON. Well, never mind; I will find it.

Senator NORRIS. Do you know whether the packers have any stock in the Congressional Record? [Laughter.]

Mr. HENNEY. No; I don't know just how the Congressional Record is controlled. I know that the packers have lobbyists and representatives in Washington who are pretty active.

Senator KENYON. Who are they?

Mr. HENNEY. I produced evidence of some of that taken from their files after receiving denials on the part of these men that they had any connection.

Senator KENYON. Who are the lobbyists? Can you give us their names?

Mr. HENY. Yes. The lobbyist of longest standing here for Armour & Co., is Colin M. Livingston, who is president or vice president of a bank down here on the avenue, and he was at one time, I think, secretary for Senator Steve Elkins; and he is a trustee of a railroad over in Virginia that Elkins owned, and which is in the district of Mr. Carlin, and he was very active in getting Mr. Carlin lined up on the right viewpoint on this Borland resolution, and the correspondence in the files showed absolute confidence on the part of the packers as to how Mr. Carlin would stand. Then, Livingston finally admitted that Mr. Carlin had made him a visit at his Canadian home that fall. At first he was only there just to see him; then, he was there overnight; then, he was there probably a week.

I have some interesting correspondence here between some of the packers and a man named Eversman, who has been connected with the National Republican Committee, showing how he wanted to become the lobbyist for the five packers jointly, and how Faulkner—I think it was Skipworth, of Wilson & Co., wrote Tom Wilson; and Faulkner and Veeder didn't want to lose any of their own prestige, so they didn't want to have a live one here as representative; and Faulkner is the attorney for Armour & Co. now; and Eversman was finally employed, then, by Wilson & Co. alone.

Senator KENYON. Who is he?

Mr. HENY. He goes on to tell how he is going to be of service to them, and I commend it to the attention of the Senators, because, perhaps, it might be of some help. I have it here.

Senator KENYON. Let me see it.

Mr. HENY. I will have to look in these files for it.

Senator NORRIS. Before you leave the stand—I don't think we will get through with you to-day; but, before you leave, I wish you would look that up. And I want to call your attention to another thing I want to look up, so you can testify on it before you leave the stand: Do you remember a letter that was introduced in the hearing, to one of the packers—I think, to Cudahy—from the Western Manufacturing Co., of Omaha, outlining their activity in favor of the packers before the legislature of Nebraska? Do you know who the Western Manufacturing Co. is or was?

Mr. HENY. No.

Senator NORRIS. Can you get that?

Mr. HENY. I don't recall that incident; I can get it if it is in the record.

Senator NORRIS. Is it indexed so you can find it?

Mr. HENY. Yes.

Senator NORRIS. I wish you would make a note of that and give us the facts in regard to that to-morrow.

Mr. HENY. The Western Manufacturing Co., of Iowa?

Senator NORRIS. Of Omaha.

Senator KENYON. Before you get away from these lobbyists, were there only these two lobbyists?

Mr. HENY. Oh, no; indeed. I remember there was correspondence that showed Mr. Logan, I think his name was, Walter Logan—

Senator KENYON (interposing). Thomas Logan, wasn't it?

Mr. HENY. Thomas Logan, that is right. He is a newspaper correspondent.

Senator KENYON. I think he was in the press gallery, wasn't he?

Mr. HENY. Yes; and then Mr. Eversman, in that connection, says that he has made arrangements with a member of one of the big press associations.

Senator KENYON. This Thomas Logan, where is he now; do you know? Could you get him?

Mr. HENY. I don't know whether he is here or not.

Senator KENYON. He is in Europe, isn't he, with Mr. Hurley?

Mr. HENY. With Mr. Hurley?

Senator KENYON. Do you know whether he is or not?

Mr. HENY. I don't know.

Senator NORRIS. He wouldn't be with Hurley; he would be in the trenches; wouldn't he?

Mr. HENY. He was quite friendly with Mr. Hurley and quite friendly with Mr. Tumulty.

Senator KENYON. Do you know whether he is over there now with Mr. Hurley on Government expense?

Mr. HENY. No, I don't; but I know that I made public the correspondence which showed his connection with the packers, so that if he is there with Mr. Hurley, Mr. Hurley has knowledge of his connections.

Senator NORRIS. Did you make public his connection with Mr. Tumulty?

Mr. HENY. Oh, yes.

Senator NORRIS. So he would have knowledge of it also.

Mr. HENY. Yes; I read the letters into the record.

Senator NORRIS. Do you know whether there is any other lobbyist now that has shown up in the evidence, Mr. Heney?

Mr. HENY. I am trying to think of who is Swift's regular lobbyist, and I don't recall it. The fact is that the packer attorneys act as lobbyists and come on here very frequently. They come on here and go up in the Federal Trade Commission. They came into my office so frequently after I was in charge of this investigation—they would walk in when I was out of the room, and I couldn't have anything on the desk, until finally I had to make a protest against having them come in there. I found correspondence where one of them wrote back and said, "It is against the rules of the Federal Trade Commission to give copies of complaints"—that was a complaint filed by Congressman Doolittle—"but," he said, "here it is."

Senator KENYON. Were any of their lobbyists in any way connected with Congress? That is, were any of them secretaries or clerks of any Member of Congress?

Mr. HENY. Well there was a clerk of the House—there was some correspondence in regard to the clerk of the House, showing that he was looked upon by the packers as their friend; and there was a report that he had sent some food of some kind to Veeder, and Veeder sent some turkeys to him, and so forth. Then there was the case of where they had the son of one of these men—Armour & Co.'s people were most active in that—trying to get him an appointment, which they succeeded in getting.

I remember that in regard to the Clerk of the House—his name is South Trimble—I don't think South Trimble was the man whose son they interested themselves in, in securing an appointment for—but you must remember, Senator, that it was perfectly apparent that

these files of the packers had been more or less combed, and that was particularly true of Armour & Co., and we subsequently got some evidence of Armour & Co. having sent out files to their clerks, to the houses of their clerks, by their clerks, to be retained there while this investigation was going on. I say they were combed, because when we got down to something that related to 8 or 10 different people we would find it in the files of one and not in the other, because of the fact that they had sent so many letters around to so many different people, and each one may have filed it according to the particular subject matter he was interested in. It might have two or three subject matters in it; and in the matter of finally combing the files it was a difficult matter to tell what to take out or where to find it.

Senator NORRIS. Was Mr. Eversman connected with Congress? You say he was connected with the Republican committee?

Mr. HENY. Yes; it seems to me that he was. I have accurate information about that. It is right here, Senator. I can get it.

Senator NORRIS. Will you get it for us before you close?

Mr. HENY. Or had been, one or the other.

I have heard it said a great many times that there were more men influenced by railroad passes than by money in the old days, and my own observation indicates that, but my own impression is that our difficulty—if I may be excused for getting that into this record—comes from men's environment and viewpoint, which leads them to discard evidence unless it is in conformity to their preconceived notions of what ought to be done. That is the charge against the investigators in this case, and that is the charge that I think can be sustained against public men generally—and I am not excluding myself. I haven't any doubt but what it influences me. We are all human.

Senator KENYON. Was there any evidence of funds being used in any way for entertainments, banquets, dinners, and things of that kind?

Mr. HENY. Yes; and by the way, my information is that there was a banquet given to these farm newspaper editors in Chicago about the time this campaign was started, and here is the Farmer and Breeder, of Sioux City, Iowa, December 15, 1918. It has an editorial headed, "The Packers and Federal Trade Commission," in which they take the side of the packers very strongly and tell the packers' story.

Senator KENYON. Who is the editor of that paper?

Mr. HENY. The editor of that paper is H. G. McMillan, president and treasurer; H. G. McMillan, managing editor. I notice the second paragraph says:

The hearing was conducted in large part by Francis J. Heney, a lawyer from the Pacific coast of sensational proclivities. As the investigation progressed, much publicity was given to the proceedings by the daily press of the large cities. If any circumstances were developed that were of little material consequence, they were featured under glaring headlines, as also the final report made by the commission and the supplemental report filed with Congress when it convened the 1st of December.

He examined the reports with considerable care. Then he proceeds to analyze them, and then here is a review of Mr. Armour's article in the Breeder's Gazette. He published an article in the Breeder's Gazette.

Senator NORRIS. Is that this paper published at Sioux City?

Mr. HENRY. Then in the Christmas issue of the Breeder's Gazette—I don't know where the Breeder's Gazette is published.

Senator NORRIS. At Chicago, I think.

Mr. HENRY. At the Armour banquet in Chicago to these farm newspaper men, which took place, I think, in October, last year, it seems there it was arranged that his publicity committee was to send out samples or suggestions for editorials that they could use or not, as they pleased, or use parts of, and this letter I have in my hand here, a review of Mr. Armour's article in the Breeder's Gazette, is a sample of what was sent out from Armour's to these newspapers for an editorial. It reads as follows:

"Review of Mr. Armour's article in the Breeder's Gazette," written by Armour & Co., to be published by any newspaper carrying an advertisement from Armour & Co. that wants to run it, so I would like to have this one sample go into the record.

Senator NORRIS. Very well.

Mr. HENRY (reading):

The important part played by the meat packers in the winning of the war has been set forth by J. Ogden Armour in the Christmas issue of the Breeder's Gazette. The article tells many interesting details showing what made it possible for this Nation to maintain 3,000 miles away "the best-fed army in the world." "Man must eat," says Mr. Armour, and then he tells how the industry in which he is a leading factor speeded up and expanded to meet war conditions.

"Orders which the Government requested us to carry out," Mr. Armour in his article says, "looked at first like physical impossibilities. It didn't seem reasonable to expect they could be met. As compared with them, the orders which we had considered previously as large, paled into utter insignificance. But the packers made up their minds that they either would deliver or die trying. Within a matter of days we were shipping unheard-of orders, and "physical impossibilities" were being performed before breakfast every morning. We learned the Government had had greater faith in our abilities than we had ourselves, and that the Government was right. Orders continued to increase in size, and less and less time could be allowed for shipment. Again and again the packers felt that they certainly had reached the limit of their capabilities, only to smash all previous records the next day.

"The packers were already wrestling with large war shipments before the United States entered the conflict," the article continues; "already producers were raising and shipping tremendous numbers of live stock. The first order of any consequence that was placed with the packers here came from the French Government. It called for about 9,000,000 cans of tinned meat. The first Italian order amounted to about 17,000,000 cans, and it was delivered on shipboard within 60 days, 30 days sooner than the time allowed.

"When United States forces embarked we received an order at two o'clock one afternoon for 25 cars of dry salt bacon, and at 6 p. m. the 25 cars were on the way.

"Last winter our executives often received sudden telephone requests from Washington for emergency orders requiring rapid production and shipment. One instance will serve. The Chicago packers were asked to ship 240 cars of beef daily for fourteen days, or a total of eight million pounds. That was a staggering order, but the first cars were sent out immediately, and we continued shipping at such a rate that we were asked to stop because the seaboard terminals were not adequate to handle the cars.

"Instances illustrative of the expansion made necessary in the feeding of America's fighting forces and those of our allies might be given ad infinitum. For example, in 1914, our employees, in plant and office in Chicago alone, numbered about 9,000. To-day they number 20,000. Prior to the war men's wages average \$10.50 and women's \$7. To-day men average \$24 and women \$18."

They omit to state that that was the result of a decision by a Federal judge who acted as arbitrator in the case after they had refused

to do it, and refused at first to even arbitrate with the employees. [Reading:]

"Before the war our Chicago plant averaged a daily production in corn-beef hash and roast beef of 125,000 tins; to-day it averages a half million."

Mr. Armour closes with this message to the farmers of America:

"It would be the part of wisdom, in my opinion, for farmers to increase their corn acreage this year even if it results in smaller acreage of wheat. The end of the war makes available great stores of wheat in the Black Sea district, in India, and other parts of the world, and the drain upon this country will be considerably relieved. But the call for meat and animal fats will be heavier than ever, and the growing of corn and the feeding of it to live stock is the answer."

Senator GRONNA. That letter would indicate that there was no great necessity for advertising their product. They were getting immense orders.

Mr. HENRY. Yes; it would, Senator.

And now, if I may correct a statement I made that the Sinclair Co. was Armour now.

Senator KENYON. You said Wilson, didn't you?

Mr. HENRY. I said Armour; but the Central Products Co. is a Wilson concern, as I recall it, and the Central Products Corporation, in which Wilson & Co. (Inc.) has a majority ownership. On September 17, 1917, it had outstanding \$2,719,200 in commercial paper, more than half in the hands of New York banks."

This company has outstanding \$100,000 preferred stock and \$400,000 common stock. All the preferred stock and all the common except seven shares—one for each director—are owned by the Central Products Corporation, in which Wilson & Co. (Inc.) has a majority ownership. On September 17, 1917, it had outstanding \$2,719,200 in commercial paper, more than half in the hands of New York banks."

As you can readily see, it had no trouble in financing, in view of the ownership of Wilson & Co. [Reading:]

The officers are Robert S. Sinclair, president; Archer C. Sinclair, secretary and treasurer.

It was taken over by the Sulzberger Co. before it became Wilson & Co., and it was taken over under an arrangement by which the Sinclairs, as will appear here, get a certain number of preferred shares, which have no voting power, but from which they get their dividends, and they remain as the officers, running the concern. And in many instances where the packers have taken over a concern of that kind they have employed the owner to remain as its official head and have carried the business on in the same name for years afterwards. Sometimes we found—we found instances where Armour owned a concern, and even Swift did not know it six months or more afterwards. The arrangement between them by which they purchase a certain percentage does not prevent each one of them from trying to get for himself any other concern, and when he gets it, as I said before, he has thereby acquired the right of that concern to buy its percentage. [Reading:]

The company has paid dividends since Wilson & Co. (Sulzberger & Son) acquired control.

From 1912, the last year Sinclair & Co. was independent, till 1916, the last year for which the commission has returns, the net profit increased as follows:

In 1912, \$123,978.97; 1913, \$134,079.45; 1914, \$157,512; 1915, \$100,489.69; 1916, \$448,703.04.

Growth in surplus from \$577,605.94 in 1912 to \$1,130,694.87.

Dividend record: In 1912, last year independent control, 5 per cent on preferred; 1913, 4 per cent on preferred, 4 per cent on common.

That was not in the control of one of the Big Five. That was Sulzberger & Sons before it became one of the Big Five. It was hovering on the edge as the sixth. [Reading:]

In 1914, 4½ per cent on preferred, 11½ per cent on common; 1915, 5 per cent on preferred, 17½ per cent on common; 1916, 6½ per cent on preferred, 22½ per cent on common.

In 1916 it may be noted that the net earnings of \$448,703.04 were only \$51,296.96 short of the entire common and preferred capitalization.

In regard to the holding company, the Central Products Corporation, there are 25,000 shares of common stock, which has voting power owned by Wilson & Co., and 12,717 shares preferred stock, of which the Sinclair family owns 11,717 and Wilson & Co. 1,000. These preferred shares have no voting power.

The slaughtering record for five years follows:

	Cattle.	Calves.	Hogs.	Sheep.
1912.....	21,281	70	271,928	1,723
1913.....	16,522	158	489,022	1,872
1914.....	21,714	829	470,921	3,304
1915.....	14,991	478	546,646	1,953
1916.....	20,629	(¹)	584,259	(¹)

¹ None.

There are about 6,000 less cattle in 1915 than in 1914, and yet the dividends in 1915 were much larger than in 1914. But there were more hogs in 1915, a large increase, 470,921; in 1914, 546,646; in 1915 and 1916, 584,259. And in 1916 you have 6½ per cent on preferred and 22½ per cent on common stock, as against your 1914, 21,714 cattle, or, going back to 1912, 21,281—more cattle in 1912 than in 1916—and 471,928 as against 584,259 in 1916. More hogs and less cattle, and yet in 1912 they are only able to pay 5 per cent on preferred and nothing on common. In 1916 it was stated:

The company owns and operates 131 refrigerator cars and 6 tanks. It operates without owning 25 refrigerator cars belonging to the Federal Refrigerator Despatch Co. and 75 cars belonging to the Wilson Car Lines.

The company states: "Our idea is that some arrangement to pool railroad-owned refrigerator equipment and to handle its distribution would prove more satisfactory than the present arrangement.

Senator GRONNA. I believe, sir, it is obvious it is no longer independent?

Mr. HENEX. No; it is absolutely Wilson now.

Now, on this question of stockyard ownership, on page 13 of Swift & Co.'s statement issued August 19, 1918, the following appears:

Ownership of stockyards: The functions of stockyards are generally misunderstood. They are market places supplied with pens for the animals and with watering and feeding facilities. Live stock arrives at the yards consigned to commission men, who sell to the buyers of the packers and to shippers, dealers, and speculators. Every packing center must have proper and efficiently operated yards in order to care for the animals. The principal reason that the packers have become interested in the yards has been to provide such facilities. Investment in stockyards, except in the very largest markets, is not attractive enough to invite outside capital. Packer ownership has resulted in the development of efficient market places that would not otherwise have existed.

Packer ownership of stockyards gives no control over prices of live stock and no control over the commission men in the yards. Yardage and feed charges are reasonable, and they are uniform to all patrons. Swift & Co. is proud of

what it has done to help the live-stock industry, as well as itself, by developing efficient stockyards.

Only recently Government regulation of yards has been established under the Bureau of Markets, United States Department of Agriculture. Furthermore, Swift & Co. would be perfectly willing to relinquish its interest in stockyards if the public demands it, especially if the continuance of their efficient operation can be guaranteed.

According to that statement they developed the stockyards. That is absolutely untrue. The stockyards were developed by others, and they had no interest whatever in any one of the four large stockyards until after they had become very big profit-making concerns, each of them, and then they held them up, and, as in the case of the Chicago yards, they threatened to move away if they were not given this bonus. They received \$3,000,000, paid over a period of years, and in each of the other instances they received big cash bonuses and plants, built for them at the expense of the stockyards company, and nearly every time a plant was built by them in stockyards where there were other packing plants they would increase the capital of the stockyards company without any additional capital being put in. They would increase on the theory that the coming in or the new plant made the concern worth that much more, and that increase of stock would be handed over to the big packer who had thus come in. For instance, at the St. Paul stockyards they gave Swift & Co. \$1,000,000 in stock. They gave Armour & Co. \$500,000 in stock when he went in there recently.

Referring to the other stockyards, I have a list of what was given in each case, and I would like to make it a part of the record, how they acquired control. It is also interesting to know what stockyards they own and interest in and what interest they own in each one. This is tabulated here on this page. They own an interest in all the principal stockyard centers.

The Bourbon Stock Yards Co., Louisville, Ky., total voting stock, \$1,300,000; per cent of Big Five control, 26.

Brighton Stock Yards Co., Brighton, Mass., voting stock, \$10,000; per cent of Big Five control, 95.

Chicago Stock Yards Co., total voting stock, \$8,000,000; per cent of Big Five control, 19.4. That is the Armour holding there. It has not yet been possible to prove the Swift & Morris stock ownership, because of the system by which the stockholders' names are concealed through the issuance of "bearer warrants" for stock.

Central Union Stock Yards Co., Jersey City, N. J., total voting stock, \$601,000; per cent of Big Five control, 98.

Cleveland Union Stock Yards Co., total voting stock, \$1,192,400; per cent of Big Five control, 8.

Crescent City Stock Yards Co., of New Orleans, total voting stock, \$500,000; per cent of Big Five control, 86. My recollection is that the only one of the big packers is in Cleveland so far.

Denver Union Stock Yards Co., Denver, Colo., total voting stock, \$1,500,000; per cent of the Big Five control, 100.

Dallas Union Stock Yards Co., total voting stock, \$16,000; per cent of Big Five control, 100.

El Paso Union Stock Yards, total voting stock is \$100,000; per cent of Big Five control, 79.

Fort Worth Stock Yards, total voting stock, \$2,750,000; per cent of Big Five control, 69.

Independent Union Stock Yards, St. Louis, Mo., total voting stock, \$10,000, and 96 per cent of this stock is owned by the St. Louis National Stock Yards; and the St. Louis National Stock Yards has a total voting stock of \$4,300,000, of which the Big Five control 85 per cent. So you have to follow this right down to get the results, as you do in most of those.

The Interstate Stock Yards, Jacksonville, Fla., total voting stock, \$25,000; per cent of Big Five control, 99.

Jersey City Stock Yards Co., total voting stock, \$500,000; per cent of Big Five control, 91.

Kansas City Stock Yards, total voting stock, \$2,500,000; per cent of Big Five control, 50.33, which controls the board of directors.

Laramie Stock Yards Co., Laramie, Wyo., total voting stock, \$200,000; per cent of Big Five control, 90.

Milwaukee Stock Yards, total voting stock, \$200,000; per cent of Big Five control, 100.

Nebraska City Union Stock Yards, Nebraska City, Nebr., total voting stock, \$40,000; per cent of Big Five control, 100.

Newark Stock Yards, total voting stock, \$50,000; per cent of Big Five control, 99.

New York Stock Yards, total voting stock \$500,000; per cent of Big Five control, 93.

Oklahoma National Stock Yards, total voting stock, \$1,000,000; per cent of Big Five control, 85.

Pittsburgh Union Stock Yards, total voting stock, \$1,200,000; per cent of Big Five control, 97.

Portland Union Stock Yards, total voting stock, \$150,000; per cent of Big Five control, 92.

St. Joseph Stock Yards, total voting stock \$2,500,000; per cent of Big Five control, 83.

St. Louis National Stock Yards, total voting stock, \$4,300,000; per cent of Big Five control, 85.

St. Paul Union Stock Yards Co., total voting stock, \$2,500,000; per cent of Big Five control, 64.

Sioux City Stock Yards Co., total voting stock, \$2,848,300; per cent of Big Five control, 75.

South San Francisco Stock Yards, total voting stock, \$231,000; per cent of Big Five control, 91.

Salt Lake City Stock Yards, total voting stock, \$194,600; per cent of Big Five control, 29.

Union Stock Yards, Baltimore, Md., total voting stock, \$800,000; per cent of Big Five control, 5.

Union Stock Yards, of Lincoln, Burnham, Nebr., total voting stock, \$300,000; per cent of Big Five control, 90.

Union Stock Yards of Omaha, total voting stock, \$7,496,300; per cent of Big Five control, 31.

West Philadelphia Stock Yards, total voting stock, \$300,000; per cent of Big Five control, 46.

Wichita Union Stock Yards, total voting stock, \$1,400,000; per cent of Big Five control, 45—60 per cent including proxies.

In regard to the West Philadelphia Stock Yards, the 46 per cent includes the Allerton family interests; but the Allerton family interests operate with the packers.

There is a total voting stock of \$45,214,600, and the average per cent is 52.7.

Senator KENDRICK. Before turning away from that, does that include the entire list of stockyards?

Mr. HENEX. No.

Senator KENDRICK. Well, is there a footing on that?

Mr. HENEX. I said "No." I think it does, Senator; yes—the principal yards in which the packers are interested.

Senator KENDRICK. Is there a footing on capitalization of those stockyards?

Mr. HENEX. Yes. This does include them all. These are the principal markets, where there are stockyards. If there are any others they are quite small.

The total voting stock is \$45,214,600, and the per cent of Big Five control is 52.7. But, of course, really that total does not mean much, because you have to take it as to their per cent of control in the stockyards that really get the big shipments.

Senator KENDRICK. Yes. What I had in mind was to determine, if possible, the entire capitalization.

Mr. HENEX. That gives you that all right.

Senator KENDRICK. \$45,000,000?

Mr. HENEX. This must mean the par value.

Senator KENDRICK. \$45,000,000 par value?

Mr. HENEX. Yes; that must be what it means.

Senator NORRIS. As you read them, noting those that I am familiar with, that would be true.

Mr. HENEX. Now, taking up the subject of joint ownership, the big packers are jointly financially interested in the following 16 stockyard companies. It will be noted that these yards include the principal markets:

Bourbon Stock Yards Co., Louisville, Ky.

Brighton Stock Yards, Boston, Mass.

Chicago Stock Yards Co. This is a Maine corporation that has its headquarters at Boston, but it owns the Chicago stockyards; that is, controls the Chicago stockyards through the New Jersey corporation.

Then the Union Stock Yards Co., Denver, Colo.

Fort Worth Stock Yards Co., North Fort Worth, Tex.

Independent Stock Yards Co., St. Louis, Mo.

Jersey City Stock Yards Co., Jersey City, N. J.

Kansas City Stock Yards Co., Kansas City, Mo.

Oklahoma National Stock Yards Co., Oklahoma City, Okla.

Portland Union Stock Yards Co., North Portland, Me.

St. Joseph Stock Yards Co., South St. Joseph, Mo.

St. Louis National Stock Yards, East St. Louis, Ill.

St. Paul Union Stock Yards Co., St. Paul, Minn.

Sioux City Stock Yards Co., Sioux City, Iowa.

South San Francisco Union Stock Yards Co., South San Francisco, Cal.

Union Stock Yards Co. of Omaha (Ltd.), Omaha, Nebr.

The annual business of the stockyards companies of which the Big Five have complete or partial control now comprises 83 per cent of the entire stockyards business of the country.

Here I have the stockyards, the proportion of receipts of live stock at yards controlled by the Big Five, including Chicago, and propor-

tion of receipts at all yards in which the Big Five have any interest, to the totals at all yards in the United States, for the year 1916, calendar year.

Senator KENDRICK. Does that 83 per cent mean that they buy and slaughter 83 per cent of the live stock that are bought for slaughter in the yards?

Mr. HENNEY. No; this means that the 33 yards in which the Big Five have these interests handle 83 per cent of the entire stockyard business in the United States.

Senator NORRIS. That they control?

Mr. HENNEY. And the packers control those yards.

Senator NORRIS. In those 33 places.

Mr. HENNEY. They do not have a majority of stock in all 33; but, as you can readily see, Senator, if five big packers, or two of them or one of them, has 25 or 30 per cent of the stock in one of these companies it is to the interest of the owners of the balance of the stock to operate very largely as the big packer wants them to operate, because as a business proposition the big packers have been able to hold them up and make them give them interests merely because of the potential power of the big packers, and when the big packers combine in a yard or over business, if all five packers have plants at a yard, it means that the producer thinks there is more competition there, or likely to be more, and a better chance for them than at some place where there is only one or two, and consequently those particular points attract receipts of cattle, attract shipments of cattle and sheep and hogs.

In their statement put in the Congressional Record of October 3, 1918, the big packers say:

The producers of the live stock were unable and did not provide facilities for caring for their product from the time of the arrival at the market until sold, and the railroad companies did not provide such facilities, so that it devolved upon the packers, at enormous cost, to establish and maintain the stockyards.

The packers did not acquire the stockyards and establish new ones at new centers in order to secure any peculiar or mysterious advantage over the industry, but it had to be done in order to secure proper facilities for accommodating the business and furnish fair treatment to the shippers.

The principal reason that the packers have become interested in the yards has been to provide such facilities and extend them as the business has demanded. It is doubtful whether such efficient market places would ever have existed had they not been established in this manner.

Now, not more than 4 or 5 of the 33 yards in which the packers are jointly interested, or of the 33 stockyards in which one or more of them are interested, were established by the packers at all; and none of the 4 largest was so established—referring to Chicago, Kansas City, Omaha, and St. Louis. Each one of these started out by giving bonuses to packers to come there.

Here is a list of the most important of the direct gifts made to the large packers by some of the stockyards, and I am quite sure we were not able to locate all of them. They had lost their books in some instances, and the complaint made here that the packers did not have an opportunity to appear—well, I tried to get the vice president of the stockyards company at Kansas City, and I had a subpoena for him, and his private secretary and stenographer did not know where he had gone and nobody in the office knew where he had gone; and we wired to Chicago to find out, and we could not locate him anywhere.

I was limited to two days in the hearing, and nobody in the office could produce the old books. We wanted to get at the original investment in several yards, and I gave notice that if they did not produce the books we were going to proceed against them under the Federal Trade Commission act. We had the same kind of difficulty in getting at the Chicago stockyards books when we were in Chicago. They said that the books were in New York; and then when we went to New York they said they were in Boston; and then when we went to Boston they said they were in New York; and we finally located them in New York.

Now, among these gifts we found were the following:

The Chicago Stock Yards to Armour, Morris, and Swift, \$3,000,000 in bonds, afterwards converted into cash. That is what I have already told about.

Kansas City Stock Yards Co., to Morris, plant real estate and \$575,000; to Armour, \$500,000.

Union Stock Yards Co. of Omaha, to Swift, \$200,000; to Armour, 20 acres of land and \$857,800; to Cudahy, \$75,000.

St. Joseph Stock Yards Co., to Morris, plant real estate and \$750,000; to Swift & Co., plant real estate and \$480,000.

National Stock Yards, St. Louis, to Armour, 20 acres of land and \$388,000; to Swift & Co., plant real estate and \$100,000.

The St. Paul Stock Yards, to Swift, \$1,000,000; and to Armour, \$500,000.

Fort Worth Stock Yards, to Swift, plant real estate and \$960,000; to Armour, 21 acres of land and \$960,000.

Salt Lake City Stock Yards Co., to Cudahy, \$275,000.

Sioux City Stock Yards Co., to Armour, 12½ acres of land and \$400,000; to Cudahy, \$200,000.

Oklahoma Stock Yards Co., to Morris, plant real estate and \$242,500.

Senator NORRIS. Do you mean that they gave them that much to locate their plants there?

Mr. HENRY. Yes; as an inducement to locate.

Senator MORRIS. Have you got that totaled?

Mr. HENRY. No; it is not totaled.

Referring to Wichita, Kans., the only plant of the big packers there is the Cudahy plant. Jacob Dold seems to be cooperating in a very friendly way with the big packers there, and we found that it was a matter of common knowledge that everybody laughed and joked about that when the farmers bring their hogs in in wagons they would ask "Whose day is this, Tom's or Bill's day?" I may be wrong about the name, but the first name of the representative of the buyer for Cudahy, and the first name of the representative of the buyer for Dold—"Whose day is it, Tom's or Bill's?" is the first question asked. It seems they buy on alternate days from the farmers who bring their hogs in in their wagons and no farmer expects anything else. If it is Bill's day Tom won't buy, and if it is Tom's day Bill won't buy, and they have a 50-50 arrangement, as shown by the correspondence in the files of Cudahy & Co., that they buy half the receipts each.

Senator KENDRICK. What market is this that you are referring to?

Mr. HENRY. Wichita.

Now, the cash subscriptions to stock. When the big packers have made cash subscriptions they have sometimes got the stock below par. For instance, the Morris Co. secured their interest in the Kansas City Stock Yards at \$50 per share, when the par value was \$100 per share.

Senator NORRIS. What was the market value?

Mr. HENRY. I don't know what the market value was at that time.

Senator NORRIS. Well, as a matter of fact, what do these stockyards pay on their capital stock as a rule?

Mr. HENRY. A varying amount. They all make considerable money out of the handling of hay and grain, and that is admitted. They all require a plant locating there—and in some of them they require each commission man—to sign an agreement that dead animals shipped in shall go to a corporation, or go to somebody designated by the management of the stockyards, and that is one of the big grafts in connection with the stock yards, because they buy them at a figure fixed by themselves, and this corporation has a monopoly on it, and they buy those animals in many instances for a price only one-quarter of what you could get just outside the yards, and the profits they make are very large.

The rendering company at Sioux City had profits that were tremendous. I have forgotten just what they were, but something like 120 per cent per year on the amount of investment; and they usually keep increasing the capital stock so as to not make the profits appear so large on the investment.

Senator NORRIS. What about the stock, as a rule, in these stockyards companies as to being watered? How much of it, if you know, represents actual cash paid in?

Mr. HENRY. A very large part of it is water, and I think I have some figures here on that.

Now, all those payments in cash I read there were not all cash; part of those were stock. I don't know just which of those were stock and which were cash. This one, St. Paul Stockyards, \$500,000, was cash, because it was paid by the chamber of commerce. I recollect that distinctly, and there was a split made, and there was some cash, and also there was stock issued in the stockyards company, and they increased the stock in the stockyards company for that purpose—\$500,000—and gave it to Armour.

At Omaha and St. Paul and Fort Worth, where the records were complete, there were bonuses in the form of stock amounting to \$3,857,800, so that 30 per cent of the stock now held by the big packers in these three yards was given to them and represents no cash investment on their part.

Then, in addition to these stock gifts, totaling \$3,857,800, these companies made other gifts to the big packers, such as land and stock dividends. Also, Armour and Swift in 1902 were each given \$300,000 in Fort Worth Stock Yards Co. bonds. And from time to time they have increased the capital stock of these stockyards companies without paying anything in, upon the ground that a new packing plant has come and that has made it that much more valuable, and usually they will give a bonus at that time. We have the details of that, so that if you want them they can be presented. When I say "we" I mean the Federal Trade Commission has the details. I forget that I am no longer connected with that commission.

In 1897 the Union Stock Yards Company of Omaha voted to donate Armour & Co. or the Armour interests 7,500 shares of stock. As on former occasions of this character, the company capitalized the donation by arbitrarily increasing its capital stock by \$1,000,000 and put this amount against the enhanced value of the real estate, on the theory that Armour & Co. coming there made it worth that much more.

In 1898 the St. Paul Stock Yards Co. gave Swift & Co. \$1,000,000 of its capital stock, and at the same time authorized an increase of its capitalization by this amount. So that million dollars was capital stock instead of cash.

Senator NORRIS. Without anything more being put in, they had just as much left after they made the gift as they did before, then?

Mr. HENRY. Yes. Then there have been several cases where stockyards companies have been reorganized as a means of transferring partial or complete control of the voting stock to the big packers. The most conspicuous examples of this are the reorganizations of the Chicago Stockyards Co. in 1911 and the Kansas City Stockyards Co. in 1912.

Now, as to stockyards earnings:

The Milwaukee Union Stockyards, which is owned by Swift & Co., affords an illustration of the big profits realized by stockyards companies. This company was organized in October, 1905, with a capital stock of \$10,000. The company rents the yards, consisting of 11½ acres, with hotel and office buildings, from the Chicago, Milwaukee & St. Paul Railroad. In 1912 it reported a surplus and undivided profits of \$176,982.46. Its net earnings that year were \$41,597.21.

Senator NORRIS. On a capitalization of \$10,000?

Mr. HENRY. Yes. In 1913 its net earnings were \$57,802.15. In 1914 they amounted to \$47,996.09. In 1915 the earnings increased to a total of \$70,315. In 1916 a stock dividend of \$190,000 was declared and the capital stock automatically increased to \$200,000, with a surplus at the close of the year of \$45,050.42.

Stockyard earnings have been so enormous as to enable the packers to declare numerous stock dividends. By this means they have substantially increased the amount of their holdings in the yard companies.

The Union Stockyards Co. of South Omaha is a good example of this. Of the \$7,500,000 capital stock of this company, \$4,300,000 represent stock dividends, declared as follows: June, 1890, \$1,800,000; July, 1893, \$1,000,000; and June, 1903, \$1,500,000. That is the one we had some trouble in getting hold of their books. Out of \$7,500,000, \$4,300,000 was stock dividends.

Senator KENDRICK. You finally secured your information through the Nebraska State Utilities Commission, did you not?

Mr. HENRY. Yes. That is the way we secured some of it, Senator. They had made an investigation before and they opened their records to us.

Now, at St. Joe the stockyards company was organized in 1896 with a capital stock of \$500,000. Subsequently it was increased. The increases of the capitalization were: 1897, \$750,000; 1899, \$250,000; 1901, \$150,000; and in 1907, \$850,000. Of these increases it is known that at least the last one represents a stock dividend; that is, the one of \$850,000.

The St. Paul Union Stockyards Co. in 1916 declared a 25 per cent stock dividend by increasing the capital stock \$500,000. This was done in connection with the donation of this amount of stock to Armour & Co. I have forgotten whether Armour & Co. got this stock in addition to the \$500,000 in cash. Yes; they did. I now remember that they got the \$500,000 in cash from the chamber of commerce and they got the \$500 in stock from the stockyards company, because I recall now that there were considerable negotiations with Swift & Co. in Chicago with regard to this question. Chamber of commerce representatives went down to Chicago and thrashed it out with Swift & Co. as to what could be done, because Armour was insisting on having some stock in the stockyards company. I put Mr. Magivny, the president of the stockyards company, on the witness stand in St. Paul. Mr. Magivny asked me if he could go on the stand, and I said certainly he could. Mr. Davies was presiding, and I permitted Mr. Magivny to go back on the stand three times or more—I think it was five times.

Each time that somebody else was on the witness stand, when some point came up that he wanted to answer, he asked me if he could go back on the stand, and I gave my permission, and so he went back on the stand all these different times. Mr. Magivny testified he believed in a monopoly in the yards and in the big companies monopolizing the business and driving out the traders. That is the substance of it. Well, then, I said: "You do your best, believing in that, to bring that about, do you not?" And he finally admitted that he did. Their profits there on hay and grain were very large, and Swift & Co. was the only one of the five big packers that had a plant there until recently, when Armour & Co. got in there. So that plant is either completed or is being completed now; and I think it is completed.

Senator KENDRICK. Did Magivny indicate to you any of the beneficial advantages to the general public from such a monopoly?

Mr. HENRY. Yes. His statement appears in the record in full, Senator, and I encouraged him to enlarge on it and give us his full views, because he enjoys the confidence of Swift. He was formerly of Sioux City, and Swift took him over to St. Paul, and while at Sioux City he and one other man, an employee, were given stock in the rendering company there, which rendering company makes tremendous profits. By the way, he testifies in regard to those profits, and that rendering company, of course, has the monopoly upon the dead animals, and so on; and we brought out what those profits amount to, and the dividends paid. They have a similar company there at St. Paul.

Have I answered your question fully, Senator?

Senator KENDRICK. Yes; I thank you.

Mr. HENRY. Now, the figures of the earnings of the United Stock Yards Co., of Omaha, which I am about to read, were furnished by the Stock Yards Co. itself to the Nebraska Railroad Commission under the provisions of the State law. The profits shown on hay and grain sold in the yards come from the same source.

Of the \$7,500,000 capital stock of the Union Stock Yards Co., of Omaha, \$4,300,000 represent stock dividends declared as previously stated. Over a million dollars of additional stock was issued in the form of bonuses to different packers.

Here is the complete statement, taken from those official records of the yards.

These yards, as you see, were started not by the big packers, but these yards, as they became profitable, were turned over, or the interest in them was turned over to the big packers.

In 1885 the receipts were \$61,034.57; the expenses were \$31,179.59; net \$29,854.98. This was a gain of 48.5 per cent, and the operating rate was 51.5 per cent.

Now, I will just read the percentages of gain. They run up to 1916, in which year the receipts were \$1,323,749.7, and the gain was 68.8 per cent. The operating ratio in 1916 was 34.5 per cent. That is the net profit that is shown here. For instance, in 1885, 48.5 per cent gain. The figures for the year from 1885 down to 1916 are as follows:

1885, net gain 48.5 per cent.
 1886, net gain 46.4 per cent.
 1887, net gain 73 per cent.
 1888, net gain 72.7 per cent.
 1889, net gain 73.4 per cent.
 1890, net gain 76 per cent.
 1891, net gain 72.1 per cent.
 1892, net gain 75.3 per cent.
 1893, net gain 68.6 per cent.
 1894, net gain 72.2 per cent.
 1895, net gain 64.6 per cent.
 1896, net gain 66.4 per cent.
 1897, net gain 70.8 per cent.
 1898, net gain 68.2 per cent.
 1899, net gain 68.8 per cent.
 1900, net gain 69.7 per cent.
 1901, net gain 71 per cent.
 1902, net gain 73 per cent.
 1903, net gain 67.4 per cent.
 1904, net gain 64.6 per cent.
 1905, net gain 62.1 per cent.
 1906, net gain 61.8 per cent.
 1907, net gain 60.8 per cent.
 1908, net gain 63.2 per cent.
 1909, net gain 65.9 per cent.
 1910, net gain 63 per cent.
 1911, net gain 64.6 per cent.
 1912, net gain 66.8 per cent.
 1913, net gain 66.8 per cent.
 1914, net gain 60 per cent.
 1915, net gain 64.9 per cent.
 1916, net gain 68.8 per cent.

Senator KENDRICK. Are these the percentages of dividends or earnings?

Mr. HENY. It is the percentage of earnings.

Senator KENDRICK. Net or gross?

Mr. HENY. Net, it says.

Senator KENDRICK. Is it based upon the constantly increasing capitalization or the original capitalization?

Mr. HENY. It is based on the increasing capitalization.

Senator NORRIS. It is based on the capitalization of the particular year referred to?

Mr. HENEY. Yes.

Senator KENDRICK. I suppose if it was based on the original investment it would show 400 or 500 per cent profit to the year.

Mr. HENEY. Yes; undoubtedly.

Senator KENDRICK. That is on the original investment?

Mr. HENEY. Yes. The original investment in most cases was quite small, I think.

Senator NORRIS. That is the Omaha plant, for instance?

Mr. HENEY. Yes; South Omaha.

Senator NORRIS. The capital stock now is, in round numbers, \$7,500,000?

Mr. HENEY. Yes, sir.

Senator NORRIS. There is over half of that that is over stock dividends or water?

Mr. HENEY. Yes.

Senator NORRIS. And that was added at various times?

Mr. HENEY. Yes.

Now, as showing the items of their earnings for the year ending November 30, 1915, by way of illustration of what they make, their earnings were:

Yardage.....	\$646,641.81
Profit on hay.....	186,520.67
Profit on grain.....	63,393.46
Horse and mule department.....	31,573.64
Rent.....	35,901.72
Car loading and switching.....	96,684.64
Hotel department.....	9,450.00
Dipping account.....	6,091.08
Horseshoeing shop.....	1,290.06
Grease account.....	3,289.48
Total.....	1,080,841.56

Against these earnings they had expenses as follows:

Labor.....	\$119,266.60
Water.....	22,213.35
Cleaning yard.....	26,279.06
Lost and damaged stock.....	602.62
Traveling expenses.....	1,553.01
Taxes and insurance.....	88,622.73
Coal and ice.....	731.67
Electric light.....	1,649.28
Advertising.....	19,916.58
Legal services.....	4,820.60
Telephone and telegraph.....	3,206.50
Stationery.....	2,688.44
Yard repairs.....	54,681.76
Miscellaneous and donations.....	5,714.73
Interest.....	19,742.57
Blacksmith shop.....	270.25
Incinerator.....	7,280.23
Total.....	379,239.98
Gain from operation.....	701,601.58
Percentage of profit.....	64.9
Operating ratio.....	35.1

That was in 1915. In 1916 the increase is very material. There was a gain in net profits in that year of 68.8 per cent.

Senator NORRIS. You do not have the year 1917?

Mr. HENY. No. 1917 is larger than 1916; very materially larger.

Senator NORRIS. I have 1917 up at my office.

Mr. HENY. All of the big packers made much higher profits in 1917 than in 1916, and if I may divert for a moment there, in holding the hearings in Boston I subpoenaed quite a number of retail butchers. I wanted to find out whether the retail butcher—there was some propaganda being put out by the big packers. I say by the big packers because I saw signed articles to that effect. There was propaganda being put out by them to the effect that the retail butcher was the party who was to blame, and he was getting so much more, and I thought that would be interesting to find out whether that was true, and so I subpoenaed retail butchers in Boston, and I did the same thing in St. Paul and a number of other places, and in Boston we were told that over 400 retail butchers had been put out of business in 1917 by the high prices. This was in December that we held the hearings. I think. They said that their shops were located in districts where the people could not afford to pay the high prices, so that the volume of business dropped off so much that they could not stand the overhead expense. They were small shops. We did not find a retail butcher at any place who did not testify—and we put them under oath, and led them to believe that we would examine their books if we had any doubt about the truth of their statements—we did not find one but that testified that he had made less money in 1917 than in 1916, total, and each one of them said his percentage of profit had been smaller, as well as the total—that the volume of business had decreased.

Sometimes the figures were larger than the preceding year with a less volume of product, the amount was more in dollars and cents, and I questioned two butchers just last week in Chicago, in an arbitration proceeding before Judge Alschuler, along these same lines; in fact, I questioned three butchers, and they each testified the same way, that they made less money in 1918 than in 1917, and that the volume of product was smaller and these were butchers who were dealing with middle class and laboring classes of people.

Senator KENDRICK. Where were they operating?

Mr. HENY. Out in the neighborhood of the stockyards. Two of these butchers in Chicago were operating in what is known as the stockyards district, where employees of the stockyards live. They said that the volume had fallen off, and one of them said that he had to give up. He was in a better district, a little farther away from there, a better class of trade, and he had used the very best class of beef until this year, and along the spring of this year he had to abandon buying any of that beef, and had to take a second-grade beef, because he found these customers could not afford to buy the first-class beef any longer. His volume was falling off so that he had to give that up and take the second-grade beef, which he said he never handled before, and these same customers were buying the second-grade beef at a price practically the same as what they were paying a year ago for the best grade.

Senator KENYON. I do not want to get a wrong impression in regard to these figures. You have been giving, as I understand it, the net earnings?

Mr. HENY. Yes.

Senator KENYON. About 60 per cent?

Mr. HENNEY. Yes, sir. This is on business done. You know, this shows the receipts and expenses—

Senator KENYON. What about bonds?

Mr. HENNEY. Awhile ago we were all wrong about that. This is receipts and expenses, so that it does not mean on the capitalization.

Senator GRONNA. It is percentage of the business?

Mr. HENNEY. Yes.

Senator KENYON. Do you know anything about the dividends paid?

Mr. HENNEY. I will see what I have on that.

I have the dividends, Senator, but let me give, if I may, what I think perhaps you Senators who represent farming constituents will be interested in—or any cattle growers or sheep or hog growers will be interested in—this sample report, taken from the Nebraska report of the Omaha yards, of what they make on hay that they sell in the yards.

This is from the State report for the year 1914.

Profit on 20,343 tons of hay for the year 1914:

Proceeds	\$382,850.35
Cost of hay and labor in handling	246,438.21
Profit	136,412.14

This profit is 53.2 per cent of the cost of the hay and labor.

Profit on grain and feed:

Proceeds	\$208,651.47
Cost of grain and labor in handling	147,057.53
Profit	61,593.94

This profit is 41.5 per cent of the cost of the grain and labor.

Profit on 24,251 tons of hay, year 1915:

Proceeds	\$449,410.35
Cost of hay and labor in handling	262,889.68
Profit	186,520.67

This is 70.7 per cent of the cost of the hay and labor.

Profit on grain and feed:

Proceeds	\$246,277.70
Cost of grain and labor in handling	182,884.24
Profit	63,393.46

This is 34.4 per cent of the cost of grain and labor.

Omaha yard, profit on 25,233 tons of hay, year 1916:

Proceeds	\$499,630.43
Cost	\$244,023.70
Labor in handling	17,745.65
	261,769.35
Net profit	237,861.08

This is 97.5 per cent on the cost of the hay.

Omaha yard, grain:

Proceeds	\$289,652.36
Cost	\$202,589.93
Labor in handling	2,957.70
	205,547.63
Net profit	84,104.73

This is 41.5 per cent on the cost of the grain.

Of course that is only taking the cost of the grain and hay and the labor in connection with it, not any overhead.

Senator KENDRICK. In that connection, in all probability it occurs that the overhead charges are taken care of in what is termed "yardage" there, at least to a great extent, because, as I recall, the charge on cattle is straight 25 cents a head.

Mr. HENEY. Yes. The yardage taken for the year 1915, the amount collected on yardage is \$646,641.81, and the total expenses, labor, and damaged stock, and traveling expenses, and taxes, and coal, and ice, and electric lights, and legal services, and advertising, and everything else amounted to \$379,239.98, about half what they took in for yardage, or a little over.

I have here a copy of a contract which a commission man is required to sign for the St. Paul Union Stock Yards with the St. Paul Union Stock Yards Co. before he can do business. This contract was furnished at the time of the public hearing, and Mr. Magivny was questioned about it by me, and it was identified by Mr. Magivny, and he said a similar arrangement was in force in Sioux City, where he had formerly been.

Now, in this contract the first provision is that:

It is agreed that all live stock consigned to, delivered to, or in possession of said second party may be yarded and fed by said first party, and said first party shall have and receive therefor the rate and price established by said first party. And said first party shall at all times and under all circumstances have the right to direct the location and pens in which any live stock may be kept at said stock yards.

In other words, in which the man can do business as a commission merchant; and there was a great deal of testimony from the different commission men as to the importance of location and the value of it—what a difference it makes.

The said second party agrees to collect for said first party, free of expense, all the charges of said first party for yardage and feeding, together with freight and all other charges due said first party, or for which said first party shall be liable or holden, upon all live stock received at the yards of said first party and consigned to or forwarded by said second party, or that may be turned over to said second party at said stock yards, whether the same is or is not consigned to said second party, and to promptly pay the same over to said first party whenever demanded, hereby agreeing to personally so promptly pay to said first party on demand all such sums or charges, whether collected or otherwise made from other parties or not.

And the said second party hereby agrees to hold said first party harmless and to protect it against any and all claims that may be brought against it by reason of loss or mixing of live stock during the hours when the pens are unlocked and the live stock therein contained is delivered to said second party.

That is the substantial matter, particularly with regard to hogs.

It is further agreed that all animals that may arrive dead at, or that may die in, the stockyards of said first party, and consigned to or in charge of said second party, shall be sold and disposed of as directed by the said first party as to manner, price, and purchaser.

Senator KENDRICK. That is one of the beneficent influences growing out of this established power which Mr. Magivny recommended?

Mr. HENEY. Yes. That grows out of the control of the stockyards, anyhow.

The said second party agrees to promptly indemnify the said first party for any damages that may occur by reason of the said first party having ac-

cepted and executed the orders of the said second party, or the agents thereof, for the handling or delivery of live or dead animals in the stockyards of the said first party, or for any damages that may occur by reason of the said first party having delivered to the said second party, or the agents thereof, any live stock in said yards, authority for which delivery is based upon the representations or requests made by the said second party, or the agents thereof, to the said first party.

Then he agrees to abide by all the by-laws:

The said second party hereby agrees, in conducting the said business of buying and selling live stock, to conform to, observe, and obey all the by-laws, rules, regulations, and contracts of the said first party, now or hereafter made or promulgated, relating to or governing the transaction of business at or through the stockyards of said first party.

The said second party agrees to furnish a bond in the sum of five thousand (\$5,000,000) dollars for the faithful performance of this contract, with sureties, all to the satisfaction of said first party, and to furnish additional bond from time to time whenever said provided bond shall become inadequate or unsatisfactory to said first party.

It is further agreed that said second party shall begin business as herein stipulated on the _____ day of _____, 19—, and shall continue under this contract until the _____ day of _____, 191—, unless this contract be sooner rescinded by the mutual consent of the parties hereto. And it is further expressly agreed by the parties hereto that the said first party may cancel this contract upon thirty (30) days' written notice, should said second party violate any of the terms hereof.

And it is further agreed that the said second party shall not sell nor assign any interest in this contract or in the business carried on thereunder without the written consent of the said first party indorsed hereon.

In witness whereof the said first party has caused these presents to be signed by its president and attested by its secretary, and its corporate seal to be hereto affixed, and the said second party has —, at South St. Paul, Minn., the day and date first above written.

Senator NORRIS. Is there a similar contract entered into in all the stockyards?

Mr. HENY. He says there is at Sioux City.

As to the selling of dead animals, my recollection is that at all the stockyards it is the same.

In regard to these regulations, they have stock exchanges at some places like merchants' exchanges and the stock exchanges at Chicago; and they have rules and regulations—well, there is a stock exchange at St. Paul, which does not interfere with this.

Senator KENDRICK. Mr. Heney, that contract, when signed by a commission firm, binds that firm to represent the stockyards company in the sale of all dead animals, and not the man who owns the dead animal?

Mr. HENY. It is even a little worse than that. It binds him to let the stockyards do as they please with that animal which is shipped to him by somebody else.

Senator KENDRICK. They represent him—they transfer their allegiance and their loyalty in the sale of the by-products to the other man?

Mr. HENY. Yes; only they do not let the commission man determine anything; they make him turn it over to whoever the stockyards company designate, and they designate a corporation which they themselves own.

Senator NORRIS. That is another corporation?

Mr. HENY. That is another corporation.

Senator NORRIS. Independent of the stockyards and the packers?

Mr. HENY. I think it is in the rendering business.

Senator NORRIS. Yes.

Mr. HENY. Where they make tremendous profits from the comparatively small capital that is needed.

Senator KENDRICK. The supposition is that the commission man represents the consignee of the live stock, in the sale of that stock, of course, and represents him?

Mr. HENY. Yes.

Senator KENDRICK. And represents him only? And under this contract he simply transfers the right to represent him, and agrees to represent the other man in that sale?

Senator NORRIS. In the sale of dead animals?

Senator KENDRICK. Yes.

Mr. HENY. I would not say that, Senator. I think it is worse than that. It does not let him represent anybody at all; it makes him turn the dead animal over to whoever the stockyards company directs him to turn it over to. He does not represent the stockyards company; he just turns it over to whoever they tell him to turn it over to, at whatever price they fix.

Senator KENDRICK. That is another way of representing that man?

Mr. HENY. Yes.

Senator KENDRICK. It is not reasonable to believe that the owner of the property would agree to that?

Mr. HENY. No; it is not.

Senator NORRIS. Of course, it is not in the interest of the owner of the property to agree to that.

Senator KENDRICK. It certainly is not.

Senator NORRIS. He loses control of his own property.

Mr. HENY. It is utterly contrary to the interests of the owner.

Then it makes the commission man give a bond of \$5,000 under this contract for its satisfactory performance of the contract, and they do not allow him to sell any interest in this contract, or in the business carried on under it, without the written consent of the first party indorsed thereon.

In substance, that is the contract, as I understand it.

There is an influence through the banks which I forgot to mention, in regard, for instance, to opposing legislation. Some prominent cattle men at the time of the Borland resolution were approached by their own banks—that is, the banks from which they have borrowed money, and have been borrowing for years, some prominent ones, large growers of cattle—and the bank tried to pull them down and get them to agree not to support the action of the Marketing Committee in trying to get this investigation.

The packers, in controlling the yards in East St. Louis, I think it was, said that they would not let another loan bank come within, well, the distance that they owned of the yards—it was something like a half mile, as I recall it—would not let a bank that wanted to come in there and do a loan business to cattle men. And these so-called stockyards banks are cattle-loan banks engaged in the business of loaning money to farmers who want to buy feeders, and to operators who want to feed and take a chattel mortgage upon the cattle; they only do it where it is a criminal offense for a man to dispose of anything that is under a chattel mortgage without the knowledge of the mortgagee, which is their protection.

These loans are usually made on four months' to six months' time, and the feeder figures that in that time he will fatten these cattle and return them to market. The cattle loan bank is standing ready there to supply him with the money. When the time comes around that the notes are due, about to mature, if the market does not look good and the man does not want to send them in, he applies for the extension of time he can get and the amount, and there were many complaints made to us to the effect that these banks required them to ship in regardless of the market, instead of getting any extension. So that the packers, in controlling these banks have the additional advantage over any large feeders or small feeders of cattle who borrow from these cattle loan banks. The feeders have to ship the cattle in whenever the banks suggest to them, or whenever the money is due.

Senator NORRIS. They have either to do that or pay the debt.

Mr. HENEX. Or pay the debt; in both instances it is a very difficult proposition for them to pay the debt.

Then, in the large cities, the packers have gone into the business of acquiring control of the rendering plants, and they have secured control of that in most of the large cities, and they have separate corporations that do that, and these rendering companies go around and purchase bones and butcher fat that the butcher throws under the counter as he cuts it off in cutting up his meat, and in places where they have a monopoly, they pay about a half cent for bones—they used to pay a quarter of a cent, and there was a time when they charged for collecting it; and they pay something like 2 cents for butcher fat, and at the few places where there was competition they were paying as high as 7 cents last year; and where they had the monopoly established, they were still paying maybe 3 cents for butcher's fat against 7 cents in places where there was some competition.

As I recall it, there is only one independent rendering plant left in the State of Massachusetts, and that was owned by an old gentleman, I think he was Scotch born, and he made up his mind that his contribution to the war would be that he would try to run the rendering plant without any profit, and so he got up a postal-card system, whereby he would send postal cards to the butchers throughout the State saying that "beginning the first of the month I will pay such and such prices for bone and fat, and if he had made any profit that month, he figured how much more he could pay for the bone and fat, so as to cut out that profit.

He would then raise his price if he found he was making any profit. Of course, he did not get all of the bone and fat shipped in to him, but he forced Swift & Co., who controlled the principal rendering plants up there, to raise their prices a little in some places to keep it from all being shipped to this particular plant.

The methods by which they squeezed out the small fellows in these different cities was that if a man would start a rendering plant and he would start out to get some customers, they would go around and make contracts to pay a much larger price than he could afford to pay, and if they go into a place and there is a rendering plant there that they want to get rid of they go around to his customers and offer larger prices than he can afford to pay, until they have forced him

out. Last year they were engaged in that work in Philadelphia, and they are the only men that I recall that declined to permit to testify—a man named Murphy and another man named Robertson, representing the American Agricultural & Chemical Co., and that has grown to be rather a large concern. By the way, I think that Detroit is the place where it has the monopoly all by itself and where they were paying very small prices, and I would not be surprised if they had something to do with getting those Detroit banks to send those telegrams to the President about stopping the investigation.

Murphy had gone to Philadelphia for that company. He acquired a company there, and had sold the control of it to that chemical company—and, by the way, they are operating in New York under an amicable arrangement with the big packers' rendering companies—and in Philadelphia they started after the customers of all the independents, but there was a concern, Shumaker & Co., that refused to make any agreement with them, and they had taken away—it cost Shumaker & Co. \$70,000 at the time it made its complaint to the Federal Trade Commission and wanted the investigation made over there, and I went over and had some public hearings, and we succeeded in getting the correspondence from the office of the American Agricultural & Chemical Co. in Boston that showed just what Murphy was doing, and how he came to be doing it, and they had threatened the Shumaker Co. that if they did not come in with the American and agree to give up some of their customers, that they would force them out of business, and they were doing it. Whether it has been stopped or not, I do not know.

Senator NORRIS. Mr. Heney, why was this investigation stopped so abruptly at the time it was? You were not through with the investigation, were you?

Mr. HENNEY. Why, Senator, the commission from time to time endeavored to fix a time as to when they would quit. There were two factors which put a limitation upon it; one was the appropriation and the other was the desire of the President to have this report made within a reasonable time, and their desire to accomplish that.

They tentatively fixed the end of December, as I recall it, originally, and we did not get around to the public hearings, to starting them, until December; in fact, it was not until they told me that they thought of trying to close it up at the end of the year that I started these public hearings at once.

Senator NORRIS. Were you ready to start them then?

Mr. HENNEY. Yes; I was ready to start then.

Senator NORRIS. You did not get through then, did you?

Mr. HENNEY. I did not get through.

Senator NORRIS. What I would like to know was why you did not finish?

Mr. HENNEY. I am telling you all that I know about it, Senator.

Along in March I was in Washington. I was summoned here by the Federal Trade Commission because I had been making public some correspondence from Swift's files, which showed that Swift & Co. had packed the Food Administration in its own interests. They had Mr. Heyl, who was with Libby, McNeil & Libby, which was owned by Swift & Co. Mr. Heyl was in the Food Administration directing the regulation and fixing the prices for canned goods.

Canned vegetables had been under his particular direction with Libby, McNeil & Libby.

Mr. COLLINS, one of the most important men in Swift & Co.'s organization, was here with the Food Administration also. They were drawing a dollar a year from the Government, and Collins was drawing \$10,000 from Swift & Co., and Heyl was drawing, I think, \$10,000—I have forgotten the exact figures—from Libby, McNeil & Libby.

Senator NORRIS. They were with the Food Administration?

Mr. HENRY. In the Food Administration. And Priebe, of Priebe & Co., Chicago, was with the Food Administration in charge of the fixing of prices and regulations for poultry, and I think he included eggs and cheese and butter, but, at any rate, poultry. I am not at all certain that he had anything but poultry; I rather think it was poultry, although it may have included the other things.

I was furnished correspondence that showed that Priebe—let me go back a moment—I received complaints from small poultry concerns all over the country to the effect that Priebe was using his position to enable Swift & Co. to monopolize the poultry market, and in doing so was forcing a loss upon the small poultry dealers, and they based that upon the proposition that about the middle of September, 1917, Priebe had issued an order that all poultry must be out of cold storage by December 1 of that year. They explained to me that the poultry pack of 1916, which commenced to come in in September, 1916, and to be packed—Swift & Co. disposed of practically all their holdings, and Swift & Co. are probably the largest dealers in poultry in the United States—in frozen poultry—cold-storage poultry. And Priebe handled that department for them under the name of Priebe & Co., a separate corporation, but the entire 100 per cent of the stock is owned by Swift & Co.

The claim was that Priebe and Swift & Co. had disposed of all their poultry; that the fresh poultry was just about to commence coming in; that Swift & Co. wanted to capture the greatest part of the pack; that it wanted to get them for lower prices than it could get them if the poultry in cold storage was not thrown on the market; and by forcing this poultry on the market it would immediately depress prices so that Swift & Co. could buy the largest part of this pack at a much lower price than it otherwise could.

Senator NORRIS. He was doing that as an official of the Food Administration?

Mr. HENRY. As an official of the Food Administration. And then they came to me—

Senator KENYON. Was he at that time drawing this dollar a year here and \$10,000 there?

Mr. HENRY. He was not drawing \$10,000—that was Collins. Priebe was drawing \$275 salary from Priebe & Co. and 25 per cent of the net profits of Priebe & Co. after 7 per cent had been paid on the capital stock.

Senator NORRIS. He was doing that while representing the Food Administration?

Senator KENYON. He was getting a dollar a year here, was he not?

Mr. HENRY. He was getting a dollar a year here. And that Priebe & Co. had disposed of their stock—one minute—that the banks should

not loan over 70 per cent, yet there is testimony that many of the banks had loaned customers who had good credit 100 per cent on the poultry they had put in storage that preceding year.

It seems that the large packers had made a good deal of money in the poultry business the preceding year, and so the small dealers had all plunged a little on poultry that year, and there was such a demand for poultry that Swift & Co. wanted to secure this pack, as much of it as it could, and at as low a price as possible.

So, on account of this order there was great complaint, of course, made, and finally the time was extended some. But on this order that the poultry should go out of cold storage on December 1, the hotels and restaurants and retailers held back on buying stocks of poultry, naturally. So that the smaller dealers who had poultry had to get rid of it at whatever price they could, and not only did it depress prices somewhat, but Swift & Co. bought up a considerable part of the cold storage poultry thus thrown on the market, as shown by the testimony, besides buying the greater part of the new pack as it came in.

Of course, Armour bought heavily also. Swift was the heaviest buyer, and the other big packers all bought.

A convention of poultry dealers was held in Missouri, in Kansas City, shortly after I commenced putting out these letters publicly in Chicago. And, by the way, I put out a letter that showed how Heyl came to get into the Food Administration, and how Louis Swift and the other Swifts were very active in the matter of helping him to get there, and how a man named Brooks, of Swift & Co., wrote a letter to Swift, telling him how his friend Chambers was to come on here and be in charge of shipments on the railroads for the Food Administration. He is a Santa Fe Railroad man; was the best friend that Brooks had in the world, and Brooks said that Chambers had told him that when Swift & Co.'s interests came up, they could rely on him to the limit. Of course the Santa Fe was undoubtedly anxious to have the good will of Swift & Co., who are such heavy shippers; and shortly after Chambers got here he managed it so that the Food Administration, through Mr. Hoover, asked Swift & Co. to please loan them Mr. Brooks, so that Mr. Brooks came and got on the job himself. He was one of the dollar-a-year men, I think—I am not sure about his being a dollar-a-year man. Brooks was traffic manager for Swift & Co.

Senator NORRIS. You mean that you are not sure he got a dollar a year?

Mr. HENRY. No; I mean that he got a little more than that.

Senator NORRIS. He may have done it for nothing?

Mr. HENRY. He may have got a little more.

So, at this poultry dealers' meeting or convention in Kansas City a man named Lightfoot, who is in the poultry business in Missouri, and has some thirty-odd plants, a very successful man; one of the most aggressive of the smaller dealers, and who tells me that Swift & Co. told him, in 1905, that they were going to put him out of business if he did not sell out to them or come under their control, at the same time they told it to Priebe, and that they did put Priebe out of business in 1905—that they told Priebe prior to 1905—and that he went into insolvency or bankruptcy or something of the sort. Swift

& Co. then acquired Priebe & Co., and then employed Priebe, and he had been running that business ever since, and making large profits for Swift & Co. under this arrangement now, as I told you, of \$275 a month and 25 per cent of the net profits after 7 per cent had been paid on the capital.

Senator KENYON. And then the dollar a year more here?

Mr. HENY. Yes, and then the additional dollar a year here.

Lightfoot said that what he objected to most strongly was that Priebe was demanding that these dealers should make a statement each month telling exactly how much poultry he had bought, and from he bought it, the price he paid, etc.; and Lightfoot said he had succeeded in maintaining himself against Swift & Co.'s attempt to put him out of business all these years, but with the knowledge that Priebe would have if he answered those inquiries of the Food Administration, made those reports each month, that, of course, Swift & Co. could put him out of business as soon as the war was over; that if they were to give him (Lightfoot) the same information about Swift & Co.'s business that they were attempting to get about his, that he would guarantee that he could come pretty near taking away a large part of the business of Swift & Co., and that if they could get sufficient financial backing he could take it all away in that particular line.

Lightfoot went to a convention of these poultry dealers. I had not seen him up to that time—at Kansas City—and he introduced a resolution condemning Priebe and calling for his removal.

Senator KENYON. Asking for his removal from the Food Administration?

Mr. HENY. Yes. And Mr. Hoover had been invited to go to Kansas City and address this convention, and he had sent Priebe there as his representative, and Lightfoot did not want to take any snap judgment, and introduced a resolution condemning Priebe and demanding his removal, and gave notice that he would press this resolution on the following morning to a vote. Mr. Lightfoot made a talk in support of his motion, and attacked Mr. Priebe in Priebe's presence, and accused him of using his position for the purpose of destroying the smaller dealers, of injuring their business and aiding Swift & Co. to accomplish the monopolization of these things, and challenged Mr. Priebe to reply to it. But Mr. Priebe did not reply. And that night Lightfoot and a lot of others who were there told me the Kansas City delegates were busy running around seeing everybody, urging them to vote against the resolution, insisting that they had invited Mr. Hoover there and he had sent Mr. Priebe as his representative, and that it would not do to slap him in the face while he was a guest; and that if this was true, that was not the time to do it; and many of the dealers on that ground or the representatives of the dealers on that ground agreed to vote against it.

In addition to that the big packers brought in 20 or 30 or more, as I recall it now, men who were under their influence—dealers and some of their own employees—and had them pay in the \$5, I think it was, initiation fee in order to be able to vote that morning; and the resolution came very near passing. I have forgotten the number of votes, but it was quite small, by which it was defeated.

And then Mr. Lightfoot, after that, got in communication with me. I was then in Chicago, holding these hearings and putting this correspondence forth.

When I got here to Washington, on the summons of the Federal Trade Commission, I was told that Mr. Hoover had complained to the President that the publication of these letters was impairing his influence and calculated to hamper his efforts to get the country to save food, etc., and that it ought to be stopped.

While I was here, or a day or two afterwards, Heyl resigned from the canned goods division of the Food Administration.

Senator KENYON. Which one of the commissioners of the Federal Trade Commission took it up with you?

Mr. HENEY. All of them.

Senator KENYON. At a meeting?

Mr. HENEY. Yes: at a meeting.

Senator NORRIS. Did they order you to drop that?

Mr. HENEY. No. It seems that Mr. Hoover had gone to the President, and that the President sent word over to them that he had no instructions to give in the matter, but he hoped a head-on collision could be avoided. That was the way it was put up to me.

So they wanted to know if I would talk with Mr. Hoover, and I said that I would, in their presence: and so an appointment was made, and Mr. Hoover came over and brought his attorney with him.

Senator KENYON. Who was that?

Mr. HENEY. I have forgotten his name. I think he is a Philadelphia man.

Senator KENYON. Was it Glasgow?

Mr. HENEY. Is that the name?

Senator KENYON. Yes.

Mr. HENEY. I told Mr. Hoover I thought that Priebe should be removed: and he said that he was satisfied that Mr. Priebe was absolutely all right; that Mr. Priebe had severed his connection with Swift & Co.; that he had an interest in four other concerns which had no connection whatever with Swift & Co.; that he was no longer drawing any salary from Priebe & Co. The salary there was the smallest part of it, because he was getting 25 per cent of the net profits, which were very large, after the 7 per cent had been paid on the capital.

Senator GRONNA. Did Mr. Hoover know that these other men—Heyl and Collins and possibly Brooks—were getting large salaries from the packers?

Mr. HENEY. Yes; because I brought that out at the public hearing in Chicago before this, Senator, and that was what brought about this condition that sent Mr. Hoover over to the President.

He then told me, too, that Mr. Priebe had been indorsed by a convention in Kansas City as to his actions, and, as I recall it, he said "unanimously."

Senator KENYON. You mean Mr. Priebe?

Mr. HENEY. Mr. Priebe, I should say. At that time I did not know about the action of that convention, and that is the action I have been just telling you about.

I went back and I investigated that, and I sent for Mr. Lightfoot to get the story, and I also took it up with Mr. Seymour Newman, who is the editor of the Chicago Produce News, and I found that

the Chicago Produce News and a paper over in New York, owned by the same man—not by Newman—but by his employer—this man's name I have forgotten, but he has a produce paper in New York—that he had been threatened for publishing editorials. He had been publishing editorial demanding that Priebe be removed and accusing Priebe of these things, and he had been threatened; a man had come over there from the Food Administration and said that his paper would be refused admission to the mails if he continued. I learned this from Newman, his representative in Chicago.

Senator KENYON. How could the Food Administration deny the mails to a publisher?

Mr. HENY. They were going to have it done through Burleson under that law, as I understood it.

Senator KENYON. This messenger was not from Burleson's office?

Mr. HENY. No. I happen to know who he was. It was Mr. Powell, of California, who was with the Food Administration.

I wrote a letter then to the owner of the paper, and Newman did not want me to. Well, I wrote a letter to the owner of the paper in New York and told him that Newman had told me that he had been approached, and asked him who approached him and what was said, and said that if he would write me frankly and fully I would present the matter to the President; that I was satisfied that the President would not tolerate any such bulldozing to prevent a man from expressing his convictions in regard to a matter of this kind. I got a reply from him, but he did not tell me; but in the meanwhile he had written an editorial taking back what he said about Priebe.

In this talk with Mr. Hoover I was asked if it was necessary. Hoover said all he wanted to know was that a man was crooked or not the right man for the place and he would put him out immediately, but that he knew these other facts about Priebe. I said, "Mr. Hoover, I do not question your integrity one iota, but I do question your viewpoint, not only in this matter but others," and I had in mind Joe Cotton. I questioned it very seriously, and I say Priebe is not fit for the job, and that Swift & Co. are interested in these other matters—business firms that he claims that he is interested in—

Senator KENYON (interposing). Is this Cotton the Wall Street lawyer?

Mr. HENY. Yes. He had charge of the regulations of the packers, and whom I believe to be a man of the highest integrity but absolutely unfit, because of his viewpoint and environment, to have anything to do with regulating the packers; and that was demonstrated by the result of his regulation. I understand that he testified before a committee of the Senate that the regulations had cut the profits of the packers in half, and two weeks later he got a report from the expert accountant on the books, the checks of those 29 weeks' period, and the result showed that all of the packers but one were making more money up to that time, under the regulations, than they had made in 1917; and he had personally told me—Cotton had—that the profits in 1917 were "scandalous" and could not be described by any other term.

I had better finish that up now. They divided it into three classes under those regulations; the first class had straight meat products in it; it also had wool and oleomargarine.

Now, this new man who is in charge—Snyder—wants to take oleomargarine and wool out of the first class; and butter has been climbing sky high, and oleomargarine always follows right behind butter, and Swift & Co. are the biggest handlers of butter in the United States and handled 50,000,000 pounds in 1916. In the oleomargarine business the big packers control over 60 per cent of it themselves; 25 per cent—about—of it is controlled by Jelke, and the other 15 per cent is split up among a lot of small fellows; and the big packers and Jelke have an oleo pool in which they divide general, legislative, and litigation expenses, and so on, the same as the packers' pool on meat. I think that the statement of the percentages on the oleo pool came from the Veeder vault; if it did not, it came from Swift's file.

Senator KENYON. I want to make certain about the cotton statement, because that came up this morning in the Committee on Appropriations. The Food Administration came into being in 1917?

Mr. HENRY. Yes.

Senator KENYON. I infer from what Mr. Cotton told you the profits were scandalous?

Mr. HENRY. Yes.

Senator KENYON. He said that it might have been so before they took possession, but not after. Was Cotton's statement made after the Food Administration came into being?

Mr. HENRY. Oh, no; his statement that the profits in 1917 were scandalous?

Senator KENYON. His attorney, Mr. Glasgow's position, is that a statement of his, they may have been scandalous before the Food Administration took hold, but not afterwards?

Mr. HENRY. When did they take charge?

Senator KENYON. In 1917.

Mr. LASATER. They took charge November 1, 1917.

Senator KENYON. Has Glasgow said that the scandalous profits were all before that?

Mr. HENRY. As I recall it, Swift & Co. made something like \$25,000,000 between the time they got notice that the Food Administration would take charge and the date it did take charge, and Swift & Co.'s profits in 1917 were \$47,000,000, if you can believe their books, which our experts say you can not. Swift & Co. made \$47,000,000 of profits in 1917, as against the three-year prewar average of \$6,500,000 a year.

Senator KENYON. I was trying to get at Cotton's statement, whether it related to scandalous profits before November.

Mr. HENRY. All I can tell you about that is this: When he was getting up the regulations he was over to my office in the Federal Trade Commission, and it was over there in the presence of four or five other people that he made this statement that the profits were scandalous in 1917.

Senator KENYON. Without any specification as to what part of 1917?

Mr. HENRY. Yes; without any specification. As I understand it, these classifications were three. The first one, composed of straight meat products, was limited to 9 per cent for the year. My information is that Swift & Co.'s profits, and I think Armour's too—at any rate Swift & Co.'s—on the commodities in the class which was limited

to 9 per cent were only 9.1 per cent in 1917, on those same products—these scandalous profits. That class two, which contained quite a number of products, was limited to 15 per cent, and that Swift & Co.'s profits on that class in 1917 were only 12.6 per cent, whereas they were to be allowed to make 15 per cent. On class three the sky was the limit, and it still is.

And the present proposition of the man who is in charge is that wool and oleomargarine shall be taken out of class 1 and that there shall no longer be any class 3, but that there shall be two classes only, and that the limit in class 2, with wool and oleomargarine in it, shall be the sky, the same as it was for class 3.

Senator KENYON. Whose arrangement is that?

Mr. HENEX. The man who is in charge now, a Boston man, and by the way, Swift's files show that Swift has tried on two or three occasions to buy him out or that he has tried to sell to Swift.

Mr. LASATER. Snyder is his name.

Mr. HENEX. Snyder; that is the name.

When I say Swift's profit was 9.1 it may be Armour—I may be confused in my mind on that Senator. It is a long time since I looked at it, but it was either Armour or Swift that on this class 1 made 9.1 per cent for the year 1917, and both in 1917 made profits far beyond anything they ever made before.

Senator KENYON. So if they were scandalous in 1917, what were they after that?

Mr. HENEX. Let us take Swift & Co., the only one I know about for the entire year 1918, and I know it from a statement published in the Chicago papers the other day, over the signature of Louis F. Swift, who gives the profits of Swift & Co. as \$21,300,000 and something, I think it is; in addition to that they arranged to write off \$7,800,000 for probable income and excess-profit taxes. That would make about \$34,000,000, and he says it is less profit than 1917, because they claim that they only made \$34,000,000 in 1917; but that is after deducting \$10,000,000 for probable income and excess-profit taxes at that time. Swift says, "This is less than we made in 1917, because our capitalization is \$150,000,000."

Now, the fact is that in May of this year Swift & Co. declared a stock dividend of \$25,000,000, and I think it was only in 1916 that they declared a stock dividend of \$25,000,000 and raised from \$75,000,000 to \$100,000,000 capital. This stock dividend of \$25,000,000 is certainly profit, although it is not profit they have to pay income or excess-profit tax on. They got that up by taking a new inventory partly, and we found on their files where Louis Swift advised the taking of a new inventory—in a letter to Edward—he said, "I think we should inventory our properties. They are worth much more now, and we are doing such a big business and making so much money"—in effect he said that—"and as soon as the war is over it would be a good time to sell out to some foreign syndicate," and the higher the inventory the more they could get, of course.

So the inventory was taken, and on the basis of that inventory they, in May, declared a stock dividend of \$25,000,000.

Then they issued \$25,000,000 more of stock to sell to stockholders on the theory that they needed it to raise additional money for this additional business, and, by the way, the 9 per cent allowed by Cotton is not in the capital merely, it is 9 per cent on all the money used

in the business as well as on capital—borrowed money is included. Consequently if they could borrow money at 4 or 6 per cent they were allowed to make 9 per cent on it.

Senator GRONNA. He admitted that before this committee.

Mr. HENRY. Cotton admitted that to be the fact?

Senator GRONNA. He was asked the question how he arrived at the basis of fixing the percentage—I personally asked him if it was fixed upon the capitalization. He said it was fixed upon the value of the plant for the surplus and the borrowed money. So he admitted that himself and he gave the percentages just as you have stated.

Mr. HENRY. My recollection is that where their bond issues had been put out at, say, 95 per cent that they allowed them the other 5 per cent, which was written off years ago, and their correspondence shows, "We will put that back on the books"—written off as a loss—and allow that 5 per cent on which they sold the bonds, things that were 5 or 6 years old or more, and they put it back with interest on it.

Swift & Co.'s report, as published in the papers, state their total business was \$1,200,000,000 for 1918, as against \$800,000,000 for 1917.

In addition to this stock dividend, Swift & Co. during the year 1918 separated itself from Swift Internacional, which is the South American company, that had a capitalization of \$22,500,000, and all of that stock was owned by Swift & Co. That paid, I have forgotten how much, but it was \$6,000,000 or \$7,000,000, I think, in dividends, that went into the profits of Swift & Co. in 1917. Whatever it made this year is not in there, because they have separated.

That \$22,500,000 stock that was in the treasury of Swift & Co., of the Internacional, has gone out somewhere, and something has taken the place of it. My impression is they have exchanged it for stocks of Swift & Co., but with whom or how they arranged that I do not know, but that puts \$22,500,000 of Swift & Co.'s stock in the treasury of Swift & Co. in place of the \$22,500,000 of the Swift Internacional. Then, Libby, McNeill & Libby, of which Swift & Co. owned the entire 100 per cent, has also been separated from Swift & Co. this year, and it earned something over \$1,000,000 net, if my recollection is correct, of the profits which were turned into Swift & Co. last year, and its earnings are not included this year, but the \$12,500,000 stock of Libby, McNeill & Libby was in the Swift & Co. treasury, and was also exchanged for an equal amount of the stock of Swift & Co.

So that there is \$35,000,000 of Swift & Co.'s stock that would have to be deducted from the total issue of \$150,000,000. It is in the treasury of Swift & Co. in lieu of the stock of Libby, McNeill & Libby and of the Swift Internacional. So that the earnings would be on \$115,000,000 instead of \$150,000,000. So there is \$25,000,000 of profits represented by a stock dividend to be added to the \$34,000,000 which Swift admits making, and which brings the total up to \$59,000,000 of profits for the year 1918.

And then they have not made any accounting for Libby, McNeill & Libby and the Swift Internacional as to how much those profits are.

The stock of Swift & Co. and of Libby, McNeill & Libby and of the Swift Internacional combined have increased in market value \$140,000,000 above what the stock of Swift & Co. was in 1917. And

this is at the rate of \$50 a share for the Swift Internacional. It is now selling at about \$46 or \$47 per share.

Senator NORRIS. Is it par at \$50?

Mr. HENRY. No; par at \$25, I think. And Libby, McNeill & Libby is now at something like \$23 and its par value is only \$15 per share. It was \$25 then and it is now \$23.50, or something like that, and the market value of Swift & Co.'s stock was \$116,000,000 on November 17 of last year, when it had Libby, McNeill & Libby and the Swift Internacional as a part of it, and now Swift & Co. alone is selling at 99 and a fraction.

Senator NORRIS. Was the Libby stock on the market?

Mr. HENRY. The Libby stock was not on the market before, but the Swift stock alone on the market was \$116,000,000 market value, and Swift & Co. then owned all the stock of Libby, McNeill & Libby, as well as all the stock of the Swift Internacional.

After taking Libby, McNeill & Libby and the Swift Internacional out, Swift & Co.'s stock is selling on the market at 99 and a fraction, and the Libby, McNeill & Libby stock was selling at \$25 in November, 1917, and now it is \$23.50.

Senator NORRIS. I do not see how that could be on sale if Swift & Co. owned it all?

Mr. HENRY. They did own it all. But I say they have parted with it and put that stuff on the market and have taken in exchange \$12,500,000 of Swift & Co.'s new issue for the entire stock of Libby, McNeill & Libby; they have taken in exchange \$12,500,000 of Swift's stock for the stock of Libby, McNeill & Libby, which they did own; and now Libby, McNeill & Libby are putting their stock out on the market, and the same thing was done with Swift Internacional, of which Swift & Co. did own all the stock. And the market value of the stock, of the three together, taking it at market quotations, is \$140,000,000 more than the three together under the name of Swift & Co., was selling at a year ago.

Now, when Hoover said Priebe had been indorsed unanimously out at Kansas City, and I went out to Chicago and looked that up, and found what had actually occurred, and that they had nearly passed the resolution condemning Priebe and demanding his removal, and how the big packers had succeeded in defeating it, and I found that the sentiment among poultry dealers was practically all one way, so far as I could discover. I then sent some investigators to these four houses that Hoover told me that Priebe owned, and that Swift had no interest in; and I found that they were nothing but buying agencies for Priebe & Co. We got the proof from the files of Priebe & Co. in Chicago, and also from the files of these particular people, and ascertained that they were nothing but agencies of Priebe & Co., buying poultry for Priebe & Co., either on the credit of Priebe & Co., or with cash furnished by Priebe & Co., and as Priebe & Co. is entirely Swift & Co., why, Priebe, instead of no longer being connected in any way, directly or indirectly, with Swift & Co., was nothing but Swift & Co. They also found some more letters of Priebe Co. They would go back every time they had nothing better to do and reexamine Priebe & Co.'s files, and each time they went back they found some more letters which had been returned to the files and that were not in there the other time they looked, and those letters

they tell me conclusively showed that Priebe advised Swift & Co. in advance of what he intended to do about poultry regulations.

Senator KENYON. Mr. Heney, I think you were going to tell us how you wound up on that.

Mr. HENY. I did start on that. I had lost track of that, Senator.

I was asked whether or not I could not suspend—

Senator NORRIS. Now, you are back to the Trade Commission?

Mr. HENY. Yes, and Mr. Hoover.

I was asked whether or not I could not suspend making public any more of these letters, in the interest of the Food Administration situation as it existed, for the time being, and I said I will agree that I will not make any more letters on that subject public without first letting Mr. Hoover know. The character of the letters, if there are letters, and giving him an opportunity to act, if he wants to. Mr. Hoover said it was unnecessary to make any such facts public, that he would remove a man if he ought to be removed, etc.

When I made the statement that I would do this his attorney immediately said, "But you don't promise that you won't thereafter make them public?" And my reply was, "No; and I do not intend to make any such promise to anybody, because if action is not taken, or whether it is taken or not, if I conclude it is in the public interest to make them public, there is only one way to stop me from making them public, and that is to remove me before I do it," or something to that effect.

Senator GRONNA. About what time was this, Mr. Heney?

Mr. HENY. That was early in March; I should say it was somewhere around the 7th of March; I do not know the exact date.

Senator GRONNA. 1918?

Mr. HENY. Yes; 1918. So I went back to Chicago and continued holding hearings and went on and held the hearings at Omaha and Kansas City, and I did not bring the Priebe matter out any further, but I caused these additional investigations to be made, so as to make certain whether Mr. Hoover was right or not in the statements he made to me. He undoubtedly believed they were correct and that had been told to him by Priebe, but we got the conclusive evidence that those statements were false in every particular that had been made to him, and I sent the proofs to the Federal Trade Commission and suggested that they ought to be laid before Mr. Hoover, and I am informed that they were laid before him. But no action has ever been taken by the Food Administration about getting rid of Mr. Priebe.

Senator KENYON. Is he still there?

Mr. HENY. Yes.

Senator KENYON. Were you removed?

Mr. HENY. No. In March, when I was here at that time—before that, as I tell you, they had fixed the time once or twice to get through—and you know this is an interminable job as far as getting through is concerned. I would probably not have been through yet if I had remained there until the present time, if the funds had lasted and we had gone on, because this was an investigation of the high cost of living, and if you took the packers alone there was constantly new fields opening up, and we found the packers were handling all kinds of food outside of meat products.

Take leather and hides. Why, we found they had gone into the tanning business and they were in a position of dominance in the tanning business and they were storing hides at the very time shoes were highest in this country, and we found an independent rendering plant over here in Philadelphia, and the manager told me he could not sell any hides at the prices published or at any price. The packers would not buy them and the tanners would not buy them, and he said some years ago the packers refused to buy, and then he made an arrangement with a tanning company to tan his hides and he had no trouble selling his leather. I said, "Why do you not do that now?" He said, "I tried to, and every one of these tanneries in Pennsylvania are owned by Armour & Co. or Swift & Co. or are under lease to one of them."

Senator KENYON. You had not finished your investigation?

Mr. HENY. Oh, no; you could not finish the investigation. But I had agreed I would conclude the investigation, Senator, by the end of March, as far as my part of it was concerned, which involved particularly the public hearing.

Senator KENYON. When did you agree to conclude in March?

Mr. HENY. I told the commission that when I was here on the 7th of March.

Senator KENYON. That is, when they called you down here to protest about giving out those letters?

Mr. HENY. Yes; at that time.

Senator KENYON. You told them then you would conclude?

Mr. HENY. Yes; that was when I told them I would conclude by the end of March, but before then I had told them I would conclude by the end of February.

Senator KENYON. But you did not get through by the end of March?

Mr. HENY. No.

Senator KENYON. But you did quit?

Mr. HENY. Yes; because I had agreed I would get through.

Senator KENYON. Did they not want you to finish the hearings or the investigation?

Mr. HENY. I think they thought the investigation was interminable.

Senator KENYON. And had gone far enough?

Mr. HENY. So far as hearings were concerned, it had gone far enough. You see, the situation at that time was—I am not trying to keep anything back.

Senator KENYON. We just want to know whether you were told to quit.

Mr. HENY. I was and I was not. I told you I had said I would quit, and when I got down, I came back here with the full understanding that was the end of my time.

I had gone to New York in the last week of March from Chicago with the intention of holding a hearing in New York. The commissioners put no limitation or restrictions on my public hearings, and let me use my own judgment as to what I should bring out, what subject I should take up, and where would I go; they gave me a free hand, backed me up all the time.

Complaints were made by different parties from time to time, like that of those banks, and Levy Mayer has made a complaint in writ-

ing—he, by the way, is attorney for Armour & Co.—and each time the commission had defended me, stood up for me absolutely, and they were backing me in what I was doing; and they have done so in their report and they have done so at all times.

Senator KENYON. Have you not a distinct impression now, in your mind, honestly, from some place, from some source, that there were some things at work to end your activities?

Mr. HENEX. I think there were lots of influences at work to end my activities.

Senator KENYON. If you had not been so active, you would not have stopped in March, do you think?

Mr. HENEX. I do not think those influences had anything to do with the Federal Trade Commission reaching its conclusions. That is a mere matter of judgment.

Senator NORRIS. You did not have any hearings in New York?

Mr. HENEX. When I got to New York, the reason I did not have the hearings was this: I reached New York in the last week of March with the intention of holding hearings on the ownership of the Wilson Co.; I thought it was important to the country to bring that out publicly, to show that those three banking groups owned that corporation, and how they acquired control, and, frankly, my intention was to put Jacob Schiff on the witness stand and find out from him about the arrangement he had in 1902 at the time he was to furnish the \$60,000,000, and brings it on down to date, and what its connection with this was, how he came to get in, Kuhn, Loeb & Co. came to get in.

When I got to New York the German drive had commenced a few days before, that last German drive that continued until July, and I never saw a more excited condition than existed in New York City at that time, and, of course, the newspapers were full of that and practically nothing else; and we had a liberty drive coming on for a loan, and I thought the thing over and made up my mind, without any suggestions from anybody in the world, that it was not the wise or the patriotic thing to do, owing to those conditions.

Senator NORRIS. Let me ask you, did you reach that conclusion because you thought if you exposed some of these things in which the great financial institutions were interested in, that it might interfere with the financial operations of the Government?

Mr. HENEX. Yes, Senator; that is exactly why I did it.

Senator NORRIS. And you thought you had better leave that unexposed rather than to run the risk of injuring the liberty-loan drive and other governmental activities?

Mr. HENEX. I did, with this limitation, that I was absolutely confident that the Federal Trade Commission would put it in a report, and I had my mind made up that if it was not put in a report, that I would seek an opportunity, whenever the conditions would warrant it, to testify before some committee of Congress and give the facts myself. I had my mind made up that the facts should go to the country.

Senator NORRIS. The facts that they have developed by the New York investigation never were brought out?

Mr. HENEX. I had practically all I expected to get in New York. I had men go to New York—Germon Sulzberger. I had heard, was

feeling somewhat grieved over the way he had been treated in the matter, but, on the other hand, he was connected with Armour in some packing interests in South America, and thinks Armour is absolutely all right.

I made up my mind I was going to get whatever I could out of Germon Sulzberger, and that I was going to put the bankers' committee on record by having them testify and by getting what facts I could out of them as to the details of this transaction. But I sent a man to New York with instructions to go to Germon Sulzberger's office to inspect whatever he could find there, and he succeeded in getting all the information that I think I could have gotten at a public hearing, and considerably more, because he got hold of what we call the Black Book, which was a memorandum book kept by Germon Sulzberger, in which he wrote down his inmost thoughts in regard to things, and in which he kept a report of meetings which were held in Armour & Co.'s office, and which report shows what is now admitted by the big packers since the report has come out, that there is a combination between Nelson & Co. (Ltd.), the big English company in Argentine, and the Argentine local company, which is a Spanish name I have forgotten, and the American packers, a combination and an agreement under which they limited the amount each one shipped to England. I have forgotten the other details.

Senator NORRIS. Does that apply to Argentine products?

Mr. HENRY. Yes.

Senator GRONNA. Mr. Henry, it can hardly be said that the report which was published by the Federal Trade Commission hampered the sale of the last liberty-bond issue, because, as I understand it, it was way oversubscribed.

Mr. HENRY. I do not think it hampered it at all, and I may have been mistaken in my judgment about whether I ought to bring that out at that time, but there were two aspects to it.

Senator GRONNA. I am not saying this to criticize you at all, Mr. Henry. I simply wanted to state here that I do not think that to let those facts be known had a bad effect upon the public because every State, I think, oversubscribed.

Mr. HENRY. Yes; they did. But as far as this oversubscribing is concerned, if I understand the modus operandi, the banks really take the last jump and take it over, and if the big financial interests of this country had wanted to keep any of these loans from going over the top, all they had to do was to fail to subscribe at the last minute these additional amounts. As a matter of fact, I do not believe that anyone of these loans would have gone over the top without the aid of the big financial institutions.

Senator KENYON. Do you know whether any threats were made if you did not cease your activities there would be trouble feeding the soldiers?

Mr. HENRY. No; I did not, Senator.

Senator GRONNA. It is getting late, Mr. Chairman, and Mr. Henry must be tired. If he is not, it is an unusual thing.

To-morrow I should like to go into the question of how the packers operate, for instance, take the operation in grain. Armour, as I understand it, is the heavy operator in grain.

Mr. HENEY. Armour is the heavy operator in grain, and Armour & Co. elevators in Chicago handle 23 per cent of all the grain that came into Chicago last year, and most of it they handled on ownership proposition, buy it.

Senator GRONNA. But I do not care to have you go into that now, because you must be tired, and I think it is about time for us to adjourn, Mr. Chairman.

Senator KENYON. Let me ask you a question: Did you go into the Iowa situation in your investigation? We used to have a lot of packing houses in Iowa, which have all been put out of business practically, except three or four. Did you go into that in your investigation?

Mr. HENEY. We went into it in a general way all over the country at that time. But I do not recall the details in regard to Iowa, except that of Morell at Cedar Rapids.

Senator KENYON. Morell was at Ottumwa; he is still independent.

Mr. HENEY. He is still independent. Sinclair, I have already told about here. I do not know whether you were present.

Mr. LASATER. Mr. Chairman, might I make one statement, that I do not think was quite covered here? If you read the packers' license by the Food Administration made effective November, 1917, you will find that the packers were permitted to charge all interest over and above 5 per cent to expense account, so they had the margin between 5 per cent and 9 per cent, and on class 2 between 5 per cent and 15 per cent as a profit on all borrowed money. So that really gives them 13 per cent on class 1, if borrowed capital, and it gives them 25 per cent on class 2.

Senator NORRIS. No; it gives them 19 on class 2.

Mr. LASATER. No; I beg your pardon; it is 25 per cent on class 2.

Senator NORRIS. That is right.

The committee will now stand adjourned until 10 o'clock to-morrow morning.

(Thereupon, at 5.20 o'clock p. m., the committee adjourned to meet to-morrow, Thursday, January 16, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT PACKING INDUSTRY.

THURSDAY, JANUARY 16, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Hon. George Norris presiding.

Present: Senators Norris (acting chairman), Page, Gronna, Kendrick, and Wadsworth, jr.

Senator NORRIS. Mr. Heney, if you are ready you might proceed. I referred yesterday to your report about the Union stockyards at South Omaha, and said that I had some data for the year—1916 was the last year you gave?

STATEMENT OF HON. FRANCIS J. HENEY—Resumed.

Mr. HENEY. Yes; it was.

Senator NORRIS. Well, I have the figures for 1917, coming from the Nebraska railway commission, from whom you got your information. It might be a good idea to put that in at this point.

Mr. HENEY. Yes; I think so.

Senator NORRIS. The receipts for 1917 were \$1,336,448.92; the expenses were \$488,877.19; net \$847,571.73, a per cent of gain on the business of 63.4. The operating rate was 36.6.

And for 1918 the total receipts were \$1,575,518; expenses \$776,683.26; net \$798,834.74; the per cent of gain on the business is 20.7; operating rate 49.3.

I think I also have their profit for those years.

Mr. HENEY. I want to make a correction about a statement I made yesterday. It occurred to me last night that I said that we had difficulty about getting the early records of the Omaha stockyards. That was an error. What was running through my mind was the Kansas City stockyards. The Omaha stockyards we got the complete records of, and Mr. Buckingham, of the Omaha Stockyards Co., testified at the Omaha hearings that there was no difficulty whatever.

At Kansas City it was G. R. Collet, who was vice president of the company, whom we tried to get, and a Mr. Weeks, who was some official—assistant vice president, I think it was; anyhow, he is next in authority to Mr. Collet. We had him on the witness stand, but he did not know where the books were, and he did not know where Mr. Collet was. And then we had the stenographer who was secretary to Mr. Collet on the stand; and we wanted to inspect certain correspondence, and she said that that correspondence had been destroyed by her about two months before that, under direction of Mr. Collet. We never did succeed in getting hold of Mr. Collet.

So I wired to Morris & Co., I think it was, Kansas City, trying to locate him and have him appear. It is my understanding that he is now located in Chicago, and he is vice president or some other official of Morris & Co.

Yesterday the question was asked by one of the committee as to what the percentage of earnings were for the Omaha stockyards upon the capital stock. I was pretty tired at the time, and my mind did not work very rapidly; but last night I took it up and saw that they had made \$901,858.49 net gain in 1916. Of course the \$7,500,000, the capital stock, at 12 per cent would be \$900,000, so they made over 12 per cent on that capital stock. Of that capital stock we know that \$4,300,000 represents stock dividends, so that we have \$3,200,000 as being the actual investment, and I am satisfied it was not that much, and \$900,000 would be 28.1 per cent.

Senator GRONNA. Of the first issue?

Mr. HENRY. Yes; that is for the actual investment as it appears on the books—that is, for 1916—and, of course, those percentages of gain from the time it was \$7,500,000 run along there in that list.

Senator GRONNA. That is net?

Mr. HENRY. Yes; that is net.

Senator NORRIS. It is net, but it is not a dividend per cent. I think we understood that yesterday, at least I did.

Mr. HENRY. We did understand, but the question asked was what per cent it was upon the capital stock.

Senator NORRIS. That would be a dividend per cent?

Mr. HENRY. A dividend per cent at a time for the year 1916, and the dividend per cent would be 12—slightly over.

Senator NORRIS. The percentage was sixty-three and a fraction?

Mr. HENRY. Yes.

Senator NORRIS. Of course, this gain was a per cent gain that year on the business?

Mr. HENRY. It was a cash intake over and above the cash expenditures.

Senator KENYON. Yes, sir. I think that is all the table purported it to be.

Mr. HENRY. But that would leave them net for distribution \$901,858.49 for the year 1916, and 12 per cent on \$7,500,000, the total stock, is \$900,000, and on the \$3,200,000 would be 28.1 per cent.

On this question on the Borland resolution and what was done with that I would like to call the attention of the committee to the following on page 2102 of the record of the public hearings conducted by me for the Federal Trade Commission. There is a letter from R. C. McManus to Henry Veeder, dated August 21, 1916, reading as follows:

BORLAND RESOLUTION.

On the full Judiciary Committee, Hunter Moss, of West Virginia, is dead and Steele, of Pennsylvania, is not now on the committee. We can rely upon Webb, of North Carolina; Carlin, of Virginia; Thomas, of Kentucky; Taggart, of Kansas; Igoo, of Missouri; Williams, of Illinois; Whaley, of South Carolina; Dale, of New York; Caraway, of Arkansas; and Dyer, of Missouri.

I am also assured that Gard can be controlled.

Yours, respectfully,

R. C. McMANUS.

RCM-IOB.

Copy to LES-RFS-CHS-GFS, jr.-HHS-FSH-JMC-ADW-AM-EM, jr.-TEW-ARU-MWB-TC.

I think that in justice to Mr. Gard it ought to be stated here that he was not "controlled."

Senator GRONNA. Who is Mr. McManus?

Mr. HENRY. R. C. McManus is an attorney for Swift & Co., and wrote this to Henry Veeder, the general counsel of Swift & Co.; and then the copy of the letter was sent to all five big packers, as shown by the indorsements on it.

Senator GRONNA. That is his report as he sent it from here?

Mr. HENRY. As he sent it from Washington to Chicago.

And then a letter on August 21, 1916, appearing on page 2103 of the record:

DEAR SIR: In response to a letter from me asking specifically whether he voted against an adverse report on the resolution, I am in receipt of the following letter from Mr. Joseph Taggart:

"You have been entirely misinformed. There was no motion to report the resolution adversely submitted to the committee. The chairman of the subcommittee came forward with a proposition to report it without recommendation. Nothing has been said about it since in the full committee, and before we get away from here I think it will be taken up in the full committee and killed."

I am of the opinion that Taggart is telling me the truth about this matter and that the chairman of the subcommittee had the matter disposed of as he desired. I believe that Taggart was all right in the subcommittee and will be all right in the full committee. Of course, the only good to be accomplished by running this matter down is to know what we can depend upon in the future.

Yours, very truly,

W. M. BORDERS.

His initials there are W. M., but my recollection is that it should be M. W.

Borders was attorney for both Morris and Wilson & Co. They did run them down and the question was as to how Taggart voted in the subcommittee at a session—

Senator GRONNA. On the Borland resolution?

Mr. HENRY. On the Borland resolution, or how the subcommittee would report the Borland resolution to the full committee, and in running it down they found out that what they had complained of had actually occurred, that the packers had voted against an adverse report.

Senator GRONNA. The packers were obviously opposed to the Borland resolution?

Mr. HENRY. They were obviously opposed to the Borland resolution and wanted an adverse report, and he had voted against an adverse report. Evidently he was afraid to go back to constituents on a record of having voted for an adverse report, but he voted for no recommendations.

Senator GRONNA. This is a report on this Mr. Taggart, who later on became an attorney for the Federal Trade Commission?

Mr. HENRY. An investigator.

Senator GRONNA. Is he still with the Federal Trade Commission?

Mr. HENRY. Oh, no; when we found these letters shortly after, his employment ceased, Senator.

Then, I read from the record of the public hearings at page 2107, the letter as follows, written on a New Willard Hotel letter head. This is from McManus to Veeder, both attorneys for Swift & Co. It is from Washington, D. C.

HENRY VEEDER, Esq.,
76 West Monroe Street, Chicago.

DEAR SIR: At Wednesday's meeting the chairman, relying on G. called for a vote.

Senator NORRIS. Who is G.?

Mr. HENY. He is Gard, of Ohio; that is, he is the only one on the committee whose name starts with G., so it might be him whom they said they thought he could control, but was not.

Senator GRONNA. What year was that?

Mr. HENY. 1916.

W. as junior member voted first and against reporting any resolution favorably.

Senator NORRIS. Who was W.?

Mr. HENY. W. was Whaley, of South Carolina, who is one of those they said was all right.

G., second to vote, made a speech and voted for the resolution.

Senator NORRIS. Who is he?

Mr. HENY. G. is Gard.

Senator NORRIS. He is the man they thought they had?

Mr. HENY. They did not say they "had him"—could control; the others they thought they could rely on and did not seem to miss it.

M. is Morgan, of Oklahoma.

The chairman then said he was against it, but at all events it was evidently necessary to find out what an investigation would cost, so he undertook to see the commission.

Senator NORRIS. Who was the chairman?

Mr. HENY. Carlin, of Virginia.

He found only Mr. Davies there. Hurley and Harris were away. We have three possible actions by the subcommittee.

One, G., is home in Ohio. There may be a chance to call it up while he is away—

He voted on the resolution favorably—

if Taggart can be relied on. In that case a vote might be taken to report against res. The chairman advises against this, because, he says, it would open the door in the Senate for a similar resolution there and also give the other side an excuse to try to get the full committee to reverse. In all events he doubts if it would permanently end it.

2. To report no recommendation. This, he thinks, might be easier to do. Taggart would rather do this than No. 1.

That is, than report against the resolution.

Thinks this still open to action in Senate.

3. Emascuate resolution to cover widest possible scope, and subcommittee pass it with big appropriation. He favors it, as he says it ties Senate's hands and can never pass the House at this session or at the next, and even if it should be brought up at the next session and passed it would be long-drawn out thing and do no harm. The administration sent for C. and asked him to influence the others. He has done all he can.

Senator PAGE. In referring to the "administration" what does it mean?

Mr. HENY. I am reading from a letter, Senator, and they were referring to Tumulty, as shown by other letters. But it turned out that the administration had not done anything of the kind, because President Wilson is the man who directed the investigation after it failed in the House, and to four Congressmen who went to him he expressed himself as favorable to it.

The letter proceeds:

The chairman of the full committee is with us and—Carlin says very little chance the full committee will act this session anyway. I saw Carlin and rode around town with him for an hour. He says he is sure we should agree to No. 3.

I have wired George L. McC., and he will be here Monday night. I plan to have him go to Cincinnati, where his acquaintance should help us with Gard.

I vote to leave it to Carlin. L. will prevent the resolution ever passing the House, I am sure.

Senator NORRIS. Who is "L."

Mr. HENRY. The "L." referred to must be Colin Livingstone, of this District National Bank, who was lobbyist for Armour & Co., and who put in a bill to all the packers for services in this matter, although he denied that until after we confronted him with the letters. After he had made the denial he was confronted with a letter from Mr. Urian, telling how he had taken him down to Veeder to see if he could not arrange with Veeder for this money to be paid, after Livingstone had made the demand.

Send Charles back here Tuesday morning with full instructions.

R. C. M.

That is R. C. McManus, attorney for Swift & Co.

Senator NORRIS. Who do you mean by "Charles"?

Mr. HENRY. I do not know who Charles is. I suppose he is one of the employees of Swift & Co.

Senator GRONNA. Is the Borland resolution, as I understand it, only providing for an investigation?

Mr. HENRY. That is all.

Senator GRONNA. Of the packing industry?

Mr. HENRY. Yes. Provided that the Federal Trade Commission should be directed to make an investigation.

Then a telegram on page 2110, that went over the private wire of Wilson & Co.—these large packers have private wires from Chicago to most of the large packing centers. They had wires in to Baltimore, and ran them on into Washington just before that time.

Received from Kansas City, Kans.

70 Wilson.

You may have heard of objectionable resolution offered by Webb, of First National, San Angelo, Tex., in A. B. A. convention on Thursday. He withdrew it yesterday. Nothing so far objectionable to our interests has come to our knowledge, except this one that is out of the way. Writing.

BOWMAN.

Senator NORRIS. Were the packers trying to handle the proceedings of the bankers' association?

Mr. HENRY. Yes; they were trying to prevent and did prevent a resolution from being passed, and here is the letter to Wilson from Bowman, who had sent that wire. Bowman is the representative of Wilson & Co., in Kansas City, and here is the letter that he wrote to President T. E. Wilson, president of Wilson & Co.:

KANSAS CITY, September 30, 1916.

Mr. T. E. WILSON, President.

Referring to my wire to you this morning, a rather innocent appearing resolution was offered by Webb, of the First National Bank, San Angelo, Tex., in the A. B. A. convention Thursday. I haven't a copy of it, but will get one and send it to you. The essence of the beginning was that this Nation is an agricultural one and its resources are being exhausted, that no great nation

like ours ever succeeded, on the contrary, went down to defeat, if it did not husband the industries of the soil; then in the center of the resolution was copied in almost identical language from Congressman Borland to the effect a congressional investigation should be made to arrive at the reason for the price paid to the producer and the price paid by the consumer for meat. While the packers' names were not mentioned, it was squarely intended for us.

Mr. Hill and myself did some missionary work with the bankers we knew, among them Mr. Swinney of the First National.

Swinney's name appeared upon those telegrams that were sent to the Judiciary Committee against the Borland resolution afterwards.

Mr. Nelson Morris, also Mr. Rich of Swift's, did some work. Yesterday afternoon Mr. Webb got up and withdrew his resolution. It is quite evident pressure was brought to bear to make him do so.

This sentence "It is quite evident pressure was brought to bear to make him do so" is understood by Bowman in his letter. I produced a photostat copy of the original for the commission.

This brings to my mind clearly, we will have to watch meetings of this sort to prevent resolutions that are apt to be railroaded through without any one being aware of the import of them.

Some member of the association was seated near Webb when the resolution was offered, and arose and said he considered it of enough importance to have it referred to a committee, to which the convention finally agreed. I do not believe 10 per cent of the association knew what it was about, and if there had not been some opposition it would have been voted in on their records.

We have no reason to think there will be anything objectionable of this sort made a matter of record with the association.

C. BOWMAN.

Senator NORRIS. What banking association was that?

Mr. HENY. The American Bankers' Association.

Senator NORRIS. In their annual meeting?

Mr. HENY. Yes.

Senator NORRIS. At what place?

Mr. HENY. His letter is written from Kansas City, and his letter opens "Referring to my wire to you this morning," so evidently it was at Kansas City, Senator.

Senator PAGE. Mr. Heney, I have been obliged to be away at a meeting of the Naval Affairs Committee and have not kept in touch with the last two days' sessions here, but this hearing seems to be of enough importance, so I would like to break in upon you to ask if the American Bankers' Association are regarded, as a whole, as favorable to the packers?

Mr. HENY. Regarded by whom, Senator—by me?

Senator PAGE. No; there seems to be a general charge, or general statement in here, that would intimate that the American Bankers' Association and the packers were in harmony; and if that is generally acknowledged and generally understood to be true, I would like to have you state it; that is all.

Mr. HENY. I do not think it carries that information, Senator. On the contrary, the intimation here was that if some of their people had not brought pressure to bear—what kind of pressure it was I do not know; but he being the president of a rather small bank, the pressure might have been an intimation that some of these packers might cease to favor that bank. That would be the natural pressure that would be brought under those circumstances; but if that had not been done and the resolution had gone to a vote, it probably would have passed. It might have been passed—so says Mr. Bowman, of Wilson & Co.

Senator NORRIS. Senator Page, as I understand this testimony, it is very important to show not that the bankers' association was corrupt or anything of that kind, but the attempt of the packers to control banking associations as well as stock associations and all other similar organizations to prevent them from taking any action that would result in an investigation of the packers. It does not mean, and there is not any intimation that the bankers were not patriotic or that they were in league with the packers, but there was an attempt made at least to prevent the banking association from passing resolutions that the packers' representatives thought would be detrimental to their interests.

Senator PAGE. Perhaps that would lead to a thought I would like to know more about. Would you tell me what measure of success attended the efforts to control the bankers' association?

Senator NORRIS. That letter itself is all I know about it.

Mr. HENRY. There was not any effort to control the bankers' association that I can draw from this letter. What happened was that a member of the association introduced a resolution which contained a recommendation that an investigation of why the producer did not get more money for his meat and why the consumer paid so much ought to be made by the Government.

After the resolution had been introduced, somebody suggested it go to a committee and succeeded in getting it to a committee instead of having it voted on.

Then, says Mr. Bowman, of Wilson & Co., we got busy, and Nelson Morris, jr., was there and got busy, and we had Mr. Swinney, of the First National Bank, get busy, and pressure was brought to bear on the man who introduced the resolution, so that the next morning he withdrew it.

The pressure was on the man who introduced the resolution, not upon the Bankers' Association, and the pressure was obviously successful.

Mr. LASATER. Mr. Chairman, I attended that bankers' convention. I drew that resolution. Might I state here just what happened at that time?

Senator NORRIS. All right.

Mr. LASATER. I was interested, of course, in getting an investigation—that was, of course, after the American National Live Stock Association started to get this investigation. I was not a delegate to the Bankers' Association, but they were discussing some interesting papers, and I went around to hear the discussion.

Senator KENDRICK. This is Mr. Lasater, of Texas, Senator Page.

Mr. LASATER. It occurred to me that if we could get the Bankers' Association to recommend an investigation along the lines we had outlined it would be a very great benefit. So I talked to several of my own friends in regard to getting a resolution through. I was advised that they thought the matter was too late, that if I could have been earlier and got amongst the country bankers that there would have been a prospect of success. But as they are city bankers, and the large bankers were much better organized than the country bankers, that a matter of this kind, they thought, would be voted down at once.

I drew the resolution, and after some discussion with acquaintances of mine that were members, Mr. Webb, of San Angelo, did present it.

When the matter was presented, and it looked like there was a fair chance of passing it, Mr. Trailer, another friend of mine, and, by the way, the president at that time of the Morris bank, the National Exchange Bank, of Chicago, had stockyards there, and since he has been promoted to the vice presidency of the First National Bank, of Chicago. Trailer is the man that stopped action on the resolution and requested that it be referred to that committee until the following day so that there might be time to discuss it.

Trailer and these parties who got active on it were Morris people, and by the next morning the large banks of the country were so lined up that Mr. Webb realized that he could not put it over, and he withdrew the resolution.

That is the history of that incident before the American Bankers' Association at Kansas City, I think, in 1916 or 1917; I have forgotten which, 1916, I think.

Mr. HENNEY. Senator, I do not know whether you were here during the part of the testimony where I told who owns Wilson & Co.?

Senator PAGE. No; I was not here.

Mr. HENNEY. Well, 60 per cent of the stock of Wilson & Co. went to the representatives of the three largest banking groups in this country, and they owned the biggest part of it yet, although they sold enough to net them a very handsome profit over and above all they put in.

Senator PAGE. And are these three banking groups favorable to the packing interests, as far as you know?

Mr. HENNEY. Favorable to it? They are conducting Wilson & Co., control it, own it.

Senator PAGE. Yes; but you say the three largest banks control and own, and are the banks in turn controlled by the packers?

Mr. HENNEY. No; but the packers are pretty influential in some of those banks. But I take it for granted that the banks are controlled by their own interests. A man usually acts in accordance with his own interests.

Senator PAGE. And which are the three large banks that you have referred to?

Mr. HENNEY. The three largest banking groups, I said.

Senator PAGE. Oh, groups?

Mr. HENNEY. Yes. The principal one of the groups is the Chase National, with 20 per cent. The Chase National is affiliated very closely with the National City Bank, in which J. Ogden Armour is a director; and Mr. McRoberts the Vice President, and I understand general manager, is the former treasurer of Armour & Co.

The National City is known as a Rockefeller bank, and commonly termed that by the public.

Then the other group is Kuhn, Loeb & Co., represented in this instance by Halgarten & Co.; the other group is the Guaranty Trust Co., known as a Morgan bank, 20 per cent.

Tom Wilson acts with a veto power in a committee of three bankers, one representing each of these groups, and a majority of the stock of Wilson & Co. is pooled under a pooling agreement, so that the control for five years lies with this pool.

As to whether those banking groups would be influential with the American Bankers' Association, Senator, you have as much knowledge on that as I do.

Senator PAGE. I should suppose they would be very influential. But I was seeking to draw out whether there was a direct and intimate and controlling power moving from Armour & Co., Swift & Co., and the other packers to these three banking groups.

Mr. HENRY. No; it is only this relation of interest, as I take it, Senator. For instance, there is a very close relationship now between the principal banks in Chicago and the principal banks of New York, and has been for some time. The principal banks of Chicago are quite commonly known as packer banks. The First National is the Morris bank, and Wilson, who is trustee for Edward Morris, who was the largest stockholder in that bank when he died, as shown by the inventory of his estate; and the Port Dearborn National Bank, known as the Swift bank; and the Continental Commercial Bank, which was founded by Phil Armour, and known as the Armour bank.

The question was asked by a member of the committee as to what the rider to the agricultural bill was. It was intended, as we believe, to head off the Borland resolution, and the amendment offered by Mr. Mann. [Reading:]

Mr. MANN. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The gentleman from Illinois offers an amendment, which the clerk will report.

The clerk read as follows:

"Amendment by Mr. Mann: Amend on page 75, after line 25, by inserting as a new paragraph the following:

"To make investigation relating to the production, transportation, storage, preparation, marketing, manufacture, and distribution of agricultural food products, including the extent, manner, and methods of any manipulation of the markets or control of the visible supply of such food products, or any of them, by any individuals, groups, associations, combinations, or corporations, \$50,000."

That appears on page 1015 of the Congressional Record of the House, January 8, 1917.

Senator KENDRICK. What was the bill, may I ask?

Mr. HENRY. That was the agricultural appropriation bill that was up.

Then Mr. Mann made a statement:

Mr. LEVER. I reserve a point of order on that. Does the gentleman from Illinois offer it as a new paragraph?

Mr. MANN. As a new paragraph.

Mr. LEVER. I should like to hear the gentleman's statement on that, please.

Mr. MANN. Mr. Chairman, I think there is a general desire that there shall be an investigation along these lines. I think the Bureau of Markets of the Agricultural Department is qualified to make it more economically and more efficiently than any other bureau or branch of the Government service. It is right in line with the work that that bureau is doing.

Mr. STAFFORD. Is it the gentleman's idea that this investigational work as to the monopolizing of the market by cornering foodstuffs can be better undertaken by the Department of Agriculture than by the Department of Justice? I suppose we were all in sympathy with the main purpose of the gentleman's amendment, and perhaps if we can not get the fullest results from the Department of Justice there can be no objection to investing authority in the Department of Agriculture, if any good can result from the investigation of the holdup of commodities.

Mr. MANN. Of course, the Bureau of Markets is best qualified to make the examination and investigation. If it should obtain information which ought to be turned over to the Department of Justice I take it that would be done.

Senator NORRIS. Mr. Henry, the question involved there was really, assuming that an investigation was demanded by somebody as to

who should make it, whether the Department of Agriculture, whether the Department of Justice, or whether the Federal Trade Commission, as provided by the Borland resolution, and if that should succeed, then there should be no use of passing the Borland resolution?

Mr. HENEY. That is right, Senator; we claim that the files of the packers shown, and I have read some of the letters into the record, that their program was to defeat the Borland resolution, and they had several different ways of doing it. One of these ways was to have the investigation switched to the Agricultural Department, which had no inquisitorial powers, and thereby confine it to an industrial investigation purely and simply, which would be perfectly innocuous and harmless.

This resolution provides for an investigation of any manipulation of the markets or control of the visible supply of such food products, or any of them, by any individuals, groups, associations, combinations, or corporations.

The Bureau of Markets had no power that would enable it to make any kind of an investigation worth while of the manipulations of the market, and Mr. Mann knew it, because a letter was put into the record from Secretary Houston, of the Agricultural Department, so stating, and it appears here in the record.

Senator GRONNA. Was there a record vote on that amendment, Mr. Heney?

Mr. HENEY. There was not.

Senator NORRIS. It was in the Committee of the Whole?

Mr. HENEY. The letter from Secretary Houston, to which I refer, appears on 1017 of the Congressional Record of the same date, January 1, 1917, and reads as follows—introduced by Mr. Borland:

DEPARTMENT OF AGRICULTURE,
Washington, July 6, 1916.

HON. W. P. BORLAND,
House of Representatives.

DEAR MR. BORLAND: You asked me yesterday whether I thought that the inquiry proposed in your resolution should be conducted by the Federal Trade Commission or the Department of Agriculture. I am very definitely of the opinion that it should be conducted by the Federal Trade Commission. I understand that the commission is created to make just such inquiries. It has the requisite powers, and, I imagine, a personnel selected with reference to work of this kind. The Department of Agriculture has not all the powers required for this work or a staff selected with reference to such tasks. If it were to undertake work of this kind, it would necessarily duplicate the machinery and activities of the Federal Trade Commission. The department can and is increasingly investigating the marketing and other economic problems involved in the production and distribution of all farm products, including live stock. Its data can well be placed at the disposal of the Federal Trade Commission, and perhaps we could extend our inquiry along other lines the commission might suggest.

Very truly, yours,

D. F. HOUSTON, *Secretary.*

Then Mr. Borland proceeded to say:

Now, the Secretary of Agriculture has had a very definite idea on the subject, and as Congress had created the commission with its proper powers, with proper machinery, it ipse dixit, resulted in a limitation of the otherwise very vague powers that might be attributed to the Department of Agriculture. But, as I say, the complete answer to the gentleman from Iowa (Mr. Towner) is that there is no inquiry on earth that he could not bring to bear under the powers of the Department of Agriculture by such an amendment. He could bring an inquiry into the present railroad situation under such an interpretation of its powers, and so it must appear to the chairman that there is a

reasonable limitation of the general words involved in the organic law relating to the Department of Agriculture.

Mr. Fitzgerald, the leader of the Democrats in the House, was just as active against this investigation as was Mr. Mann, the leader of the Republicans.

I state that because I do not want any impression on the mind of this committee that I draw any distinction between Democrats and Republicans; they all look alike to me in an investigator.

On page 1018, Mr. Borland said:

Mr. Chairman, the great vice of this amendment is that it does not go far enough to do any good, and is a waste of time, effort, and money in attempting to do what it, on its face, can not do. If the amendment accomplished or could accomplish what it was expected and on its face purported to accomplish, it might be worth the money; but under existing circumstances it is a waste of money, and, moreover, is dangerous in its tendency to head off an efficient investigation.

But I say it is not designed for the purpose of conducting an investigation such as the public demands but for the very purpose of sidetracking and making impossible the real investigation needed in the premises. There is not a bit of doubt upon that proposition. I am going to put it so clearly that every man in this House who votes on the proposition will know that if he votes "aye" on the resolution he is voting against any real investigation of the subject.

We introduced a resolution—the gentleman from Kansas (Mr. Doolittle) and myself—nearly a year ago in regard to the marketing of live stock. We have had hearings before the Committee on the Judiciary, and at those hearings the representatives of the packing houses and all their high-priced attorneys appeared and defended. A year ago, in October, 1915 there was a hearing of the Bureau of Markets, in Chicago, designed to conduct an investigation such as that provided for in the Mann amendment. They had full power to do it, and did it without the Mann amendment. They could not get anybody to appear at such an investigation except voluntarily, and the representatives of the packing houses of Chicago snapped their fingers at that kind of an investigation.

Mr. DOWELL. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. BORLAND. I wish I had the time to yield, but I have not. The men who were guilty refused to disclose the evidence. Then we came to the conclusion that an investigation by the Bureau of Markets was not any terror to the evildoers, and the Secretary of Agriculture agreed with us in that position, and we went before the Committee on the Judiciary and asked for an investigation by the Federal Trade Commission. Why? Because the Federal Trade Commission has power to subpoena witnesses and compel them to testify.

Mr. QUIN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Missouri yield to the gentleman from Mississippi?

Mr. BORLAND. I wish I could, but I can not. There is the whole crux of the situation. You are to have a choice between an investigation by a body that has the power to compel the production of testimony and a department of the Government that has no such power.

Now, mark me: When we were making this battle before the Committee on the Judiciary every packing-house manager and every packing-house attorney was urging a resolution similar to the Mann amendment, and we were fighting it. The whole issue between the farmers and the stock raisers on one side and the packing houses on the other was whether there should be a compulsory production of evidence.

Now, mark you: The Mann amendment does not and will not and can not provide for anything but voluntary testimony. Nobody is afraid of that amendment. Every packing-house attorney in the land will support the Mann amendment. Let no man make a mistake on that subject. Every man who is opposed to an investigation of the manipulation of prices will support the Mann amendment. [Applause.]

Mr. Arthur Meeker testified before the Judiciary Committee on the hearing on the Borland amendment, and I should say at least a half

dozen times in the course of his testimony, while opposing an investigation of any kind, that if there was one it should be made by the Bureau of Markets of the Agricultural Department.

Mr. Mann, on page 1023, had this to say:

MR. MANN. Mr. Chairman, let me say for the benefit of some of the gentlemen that this amendment was not prepared by, it was not shown to, it was not discussed with packers, and they know nothing about it, and nobody else, so far as discussion in advance is concerned, outside of Members of the House. Let me make this further suggestion: The gentleman from New York [Mr. FITZGERALD] said this would postpone an investigation. I did not put in the amendment a provision that the funds should be immediately available, because that would have made it subject to the point of order which the gentleman from New York made, but I am quite willing that that should be added to the amendment. I did not put in it the provision giving the bureau the power to subpoena witnesses, because that would have made it subject to the point of order, but I am quite willing they should have it. However, let me make this suggestion with reference to the subpoenaing of witnesses.

I had charge of the bill, originally, creating the Bureau of Corporations. They were given power to subpoena witnesses. They never did it. The Federal Trade Commission, I think—although I may be mistaken—has never subpoenaed a witness. Why? Witnesses who are willing to come do come. The minute you subpoena a witness you render him immune from prosecution. And those under investigation, under prosecution, are the most anxious to testify, because they can not be prosecuted. And when the Bureau of Corporations made an investigation—

If I may be permitted to comment, Mr. Mann makes a pretty complete answer to the claim of the packers on the proposition that they were not able to be heard in investigations conducted by myself. But, as a matter of fact, I subpoenaed and put on the witness stand, under oath, more than 25, is my estimate, based on casually looking over the witnesses, officials of the big packing corporations and their affiliated companies. I did not attempt to subpoena any of the principals, because I thought it was my duty to leave the matter open so that if the Department of Justice thought that as a result of this investigation any action on its part was necessary it could proceed according to the discretion of the Attorney General.

Mr. Mann proceeds:

And when the Bureau of Corporations made an investigation of the packers some years ago, although they did not subpoena witnesses, the packers got an immunity both because the Bureau of Corporations had power to subpoena witnesses where the production of testimony gave that immunity if done.

Now, what have we proposed? A practical method of expediting economy in the transportation of food products from the producer to the consumer, using a method which we have already created, the Bureau of Markets engaged in that business, men who can make suggestions which would be of practical value. If they discover that there is manipulation of the markets they will discover it outside of giving immunity to the men who are engaged in the business, and they will have the power to turn that testimony over to the Department of Justice where it may be effective.

If we could—and I do not know whether we can; we have not been able to yet—if we could send one man to jail for manipulating the markets of the country it would do more good than anything else we could do. [Applause.]

But up to date we have not been able to do anything. Where we have made an investigation, we have granted immunity to the men who are guilty by making the investigation, and the investigation has done no good in any other way.

Now, this investigation, if carried on, may be of good, to begin with, in giving practical suggestions for the handling of the food products, and if they discover that there is manipulation of the market, then the men who are guilty will not have immunity. They may indict and convict. I hope the amendment may receive the approval of the body. [Applause.]

And thereupon Mr. Sidney Anderson—I think I stated yesterday that he had made a talk in opposition to this amendment. I was mistaken about that. What I had in mind was that he offered an amendment, and here it is on the same page, 1023 :

Mr. ANDERSON. Mr. Chairman, I wish to offer an amendment to the amendment.

The CHAIRMAN. The gentleman from Minnesota offers an amendment to the amendment, which the Clerk will report.

The Clerk read as follows :

"Amendment offered by Mr. Anderson to the amendment offered by Mr. Mann :
 " 'For the purpose of said investigation the Chief of the Bureau of Markets, and his duly authorized agents, shall have power to administer oaths, subpoena witnesses, and require the production of books and papers.' "

Mr. FITZGERALD. Mr. Chairman, I make a point of order against the amendment.

The CHAIRMAN. The point of order is sustained. The question is on agreeing to the amendment offered by the gentleman from Illinois (Mr. Mann).

I want to call attention to the fact that Mr. Mann states there that the question of this amendment was not prepared by, was not shown to, and not discussed with packers and they know nothing about it.

The records here taken from the files of Swift & Co. show letters from McManus and from Henry Veeder stating that they had talked with Mr. Mann; that they came to Mr. Mann for the purpose of talking to him about this very thing, the Borland resolution. I will read the letters into the record in a moment so that they will speak for themselves.

On this question of the conviction of one man doing more to stop this than anything else that can be done, from 35 years' experience with a large amount of prosecuting, it is my absolute conviction that it is a waste of time and money, in the case of men who have as much money back of them as these men have; that it is impossible to convict, and that the remedy required is an economical remedy and prosecutions and convictions are not economic remedies.

If I may be permitted to take up that much of the record, I want to say that in Oregon, when I was prosecuting the Oregon Land Fraud cases, so-called, during the time the prosecutions were going on, which lasted a couple of years, the taking up of timber lands, which was largely fraudulent under the timber and stone act, because the act itself, as it was denounced by Secretary Schwartz at the time it was passed, as being the prolific instrument of fraud and crime and that never ought to have gone on the books, and the Congress permitted it to remain on there for 35 years, with the stealing of timber going on constantly, and prosecutions did no good, and the only remedy was repeal of the law and the putting on the statute books of a proper law, and the reason it is not going on to the same extent is that Secretary Garfield finally construed the law for what it had been decided by the Supreme Court of the United States in certain divisions, to a point where taking up of timber lands by big corporations by the hiring of men to do it could be done with immunity, Secretary Garfield ruled that the minimum of \$2.50 an acre meant "minimum," and that he could classify the timber lands and put valuations upon them higher than \$2.50 an acre, something that had never been done before, and that conclusion did more to stop the stealing of our public timber lands than the conviction of 20,000 men would have done, because during the two years I was prosecuting the taking up

of timber lands fell off about one-half in Oregon, and when I became interested in the graft prosecutions in San Francisco—and it became obvious I would not get back to Oregon for any more work for a long time at least—the taking up of timber lands just about quadrupled, is my recollection—they made up for lost time, showing that the convictions which had taken place there had no deterrent effect and did not cure the evil, and the one great result which was brought about by the prosecutions in Oregon was the repeal of the lieu land act, which was a prolific source of the largest amount of timber stealing that was ever done in this country.

I say “stealing,” and I am using the word in the sense now not of crime, although there was fraud connected with all of it, but in the sense that they were getting something for practically nothing which belonged to the people of the United States, and contrary to the real intent of the policy of the law. The lieu land act was said to be for the protection of the poor homesteader, who could go into a place and take up a homestead with the expectation of being surrounded in time by neighbors, so there would be a little school, and a little church, and so forth, and what an awful offense it was to permit him to remain in there and have a reservation created around him that would cut him off?

So Congress has put as a rider to an appropriation bill an amendment called the lieu land act, which provided on that theory that the owner of land within a forest reserve could exchange it for land outside of the equal quantity. It was not necessary to say “owner” if they were starting to protect the poor homesteader. They could have said “homesteader.” But when they said “owner” it included every railroad corporation in the country, and when those forest reserves were created they included millions of acres of land that had all the timber cut off of them under this amendment; that is, railroad corporations were able to take up the finest timber forests in the world, in Oregon, Washington, and California, in exchange for this absolutely worthless cut-over timber land that they had received as a grant originally, and that were included in forest reserves.

And that is the reason I made the remark, Senator, to you the other day that more of our troubles—I meant our economic troubles—come from our lawmakers than our law breakers. There is a fine illustration of it.

Senator GRONNA. The original act which you refer to, Mr. Heney, I think also provided only for a quarter section of land. I will be interested if you will briefly put into the record how that is evaded?

Mr. HENY. That lieu land act?

Senator GRONNA. Yes.

Mr. HENY. The lieu-land act, as I recall, was not limited to any quarter section.

Senator GRONNA. But the original act, what we call the Oregon and California development act—

Mr. HENY (interposing). That is another act from the one I have in mind. The one I have in mind is the lieu-land act.

Mr. Hyde, who was convicted of trying to defraud the Government out of hundreds of thousands of acres of land, and who was a clever man, and who was very closely affiliated with the Southern Pacific Railroad Co., was here and helped to put through this lieu-land rider act, and a man named Benson had learned the value of this exchange

proposition under the old act of 1891, which provided for exchanges on school-land sections.

And as the result of this lieu-land act, Hyde and Benson then became active, and they bribed supervisors to recommend the creation of forest reserves on maps prepared by them and reports prepared by them, by Hyde and Benson, that would include the largest possible number of school sections that were vacant; and in the meantime they would send their men out down around the water front and have those men sign an application for school sections under the State law, pay them 50 cents or maybe a glass of beer to do it.

In this application the man made affidavits that he was taking it exclusively for his own use and benefit, and at the same time he would sign an assignment, and then they would take these all up to a notary public, who had never seen any of the men. The notary put his jurat on all of them, and in some instances the notary public would go down around the saloons and do it right there at the time the assignment was being signed.

The same thing was done in Oregon. He was very active in collecting the surveyor general for the State of California, and he always had a clerk in the office of the surveyor who would hold these things in there and not put them on record, because he had to pay 25 cents an acre when put on record, to the State—in California \$1.25, and in Oregon 25 cents down. They would not be put on record, but would be held ready, and they would have the money ready also, and they would pay the 25 cents or the \$1.25 down in case some outsider came in and attempted to file on this land, and then they would tell him some filings were ahead of him, but they would not put it on record until the filing was authorized, and then they had been probably in the General Land Office and wired them, and the Commissioner of the General Land Office had recommended that the reserve be created, and when the Secretary of the Interior had sent the recommendation to the President, and immediately they would take all the school sections within the forest reserve.

Those school sections cost them \$1.25 an acre plus 50 cents or a dollar that they paid for a 160-acre application, which would make it cost them not to exceed \$1.50 an acre for all this land, and the very minute the reserve was created and they had the filing on it was worth for exchange purposes, under the lieu-land act, in the market, \$5, \$5.50, or \$6 an acre.

There was one reserve created in Oregon where the attorney for the Northern Pacific Railroad Co., one of its attorneys, Pierce Mays, was one of the parties convicted, that took in 200,000 acres of pool lands. So, at \$4 an acre they stood to make \$800,000 on that.

The repeal of that act, I say, was the one remedy that was of any value whatsoever, and when those prosecutions became so odious or odoriferous, when the public became aroused over the publicity as to what was being done, Congress acted by repealing the lieu-land law.

Senator NORRIS. Let us get back to the packers.

Mr. HENRY. You will pardon this diversion.

Senator WADSWORTH. Has the Federal Trade Commission submitted any of its findings to the Department of Justice with recommendations for prosecution or otherwise?

Mr. HENRY. Its findings, of course, went to the President, and naturally the Attorney General would get them. I have no knowledge

of what they did, but I know what their practice is—I say I have no personal knowledge; I have, but I did not get it from the Federal Trade Commission. I got it from an official in the Department of Justice. I know that the evidence has all been sent over to the Department of Justice by the Federal Trade Commission and that some work is being done on it by representatives of the Department of Justice. Whether any recommendation accompanied it, I do not know.

Senator GRONNA. Mr. Heney, I think you said yesterday how this investigation stopped. Obviously there will not be any investigation at the present time, because the war is not officially announced to be over.

I understood from your statement yesterday that further investigation and possible prosecution might interfere with the war, and, of course, there is a great deal of force in that supposition, though perhaps stated as a fact and not as a deposition.

Mr. HENEY. Senator, I did not mean to be understood as going that far. What I limited myself to was this, that I did not hold a public hearing which I intended to hold in New York City in the last week of March, because after reaching New York I concluded that it was not a wise or patriotic thing to do at that time, because of the situation. The German drive had started, we were in the midst of a liberty loan drive, and the German drive was quite successful, as you recollect, in the beginning. There was great excitement in New York City, and what I intended to do was to bring out the evidence in regard to the ownership of Wilson & Co. by banks, and I concluded it was not an opportune time to do it. Therefore, all on my own initiative and without consultation with anybody, I abandoned the hearing, did not attempt to hold it, came on over to Washington, and so informed the Federal Trade Commission. I had told the commission early in March that I would conclude by part of the labor by the end of March.

Prior to that time I had told them that I believed I could get through and would be able to get through by the 1st of March—that was away back in December, or it may have been earlier than that. But I did not get through, and they permitted me to go right along without any interruption.

Senator GRONNA. I did not mean, Mr. Heney, to put you in a false position, of course.

Mr. HENEY. I know you did not, Senator.

Senator GRONNA. I understand from your statement that it might be considered that going on with these prosecutions would hamper the conduct of the war, and, of course, that is very reasonable.

Senator NORRIS. Mr. Heney, I got that understanding also, that is, to this extent, that you thought the development of these financial transactions might interfere with the financing operations that the Government had in view, and might interfere, perhaps, with the liberty bond sales. In other words, at large financial institutions some of the banking institutions were so closely connected with the operation of the packing business that it might create a condition that might interfere somewhat with the floating of bonds.

Mr. HENEY. Yes; that influenced me in reaching the determination not to hold those public hearings, Senator, in New York. Now, I quit a few days later, at the end of March, in accordance with a

prior understanding, and so there were no more public hearings on that.

When I quit I wrote the commission a letter and told them that I thought public hearings should be had on four or five different questions, including this ownership of Wilson & Co. by the banks, and that I would, if they concluded that it was proper to have it done at any time, come and hold the hearings without any compensation. I did not hear from them further on the subject, and from that time to this I have been very busy with private business. They evidently concluded that it was not particularly important to hold public hearings. They put the entire history of the Wilson ownership in the second report which they issued.

Senator PAGE. Where may that be found? Will you give me the title?

Mr. HENEY. It is the second report issued by the Federal Trade Commission.

Senator NORRIS. It is called Part No. 2.

Mr. HENEY. I want to read into the record a letter dated July 17, 1916—and this was taken from the files of Swift & Co. and was brought out in the public hearings:

LAW OFFICES ALBERT H. & HENRY VEEDER,
76 West Monroe Street, Chicago, July 17, 1916.

BORLAND RESOLUTION.

Mr. LOUIS F. SWIFT,
President Swift & Co., Chicago.

DEAR SIR: I was in Washington Thursday and Friday, July 13 and 14. While there I called upon Senator Wadsworth, Representative Mann, and chairman of the Federal Trade Commission Hurley. I learned that the Borland resolution will not be taken up for consideration by the House of Representatives at this session of Congress. I also was informed that if the Federal Trade Commission should be instructed to make an investigation under this resolution they would make such investigation as though it were an investigation originating with the commission; that is, that the investigation will be made by the Federal Trade Commission's own examiners and employees, without publicity, and directly with the concerns or the industry to be investigated, and that under no circumstances will there be during this investigation public hearings at which attorneys may participate or at which they may examine or cross-examine witnesses.

I also learned that the petition signed by 125 representatives which Mr. Borland claimed to have had never been filed or made a part of the record of the hearings before the subcommittee, and will probably not now be ever filed, for the reason that many of the signers are withdrawing their names.

I met Mr. Tomlinson, secretary of the National Association, who informed me he was in Washington to ascertain what had become of the Borland resolution; that congressmen had been swamped with telegrams and letters opposing the investigation; that he supposed they were inspired but did not know, but that at any rate such action had slowed up the committee, and that it was uncertain, so far as he could learn, when the resolution would be reported to the House by the committee. He agreed with me that the entire industry would be benefited if the cattle raisers and the packers were working together instead of fighting each other, and said that he was anxious to do what he could to bring about such a situation.

Sincerely yours,

HENRY VEEDER.

Copies to A. M., A. R. U., T. C., E. M., M. W. B., T. E. W., G. F. S., jr., R. C. M., A. D. W.

Which means that it went to all five of the big packers, Arthur Meeker, A. R. Urian, Thomas Craig, E. Morris, M. W. Borders, T. E. Wilson, E. F. Swift, jr., R. C. McManus, attorney for Swift, and A. D. White, publicity agent for Swift.

And then another letter, headed:

UNITED STATES HOUSE OF REPRESENTATIVES,
Washington, D. C., August 14, 1916.

MR. HENRY VEEDER,
76 West Monroe Street, Chicago.

DEAR MR. VEEDER: I send you copy of resolution introduced in the Senate for your information. Of course, I have no control over what the Senate may do.

Yours, sincerely,

JAMES R. MANN.

(S. J. Res. 163. Inclosure h.)

There was a resolution practically the same as the one introduced by Mann in the House introduced in the Senate, and I suppose that is what it refers to.

At page 1925 of the record of public hearings is a memorandum of a conference at the office of A. H. and Henry Veeder, at 3.30 p. m., April 21, 1916; that is, in Chicago; and that memorandum states, among other things, that the matter—

should go to the Federal Trade Commission rather than to a congressional committee under ordinary circumstances, as there would be less publicity and probably less politics in an investigation by the Federal Trade Commission than by the usual congressional committee; but in view of the fact that the present Congress dies March 4, 1917, and if it could be arranged that the matter be referred to a congressional committee, such being given no preambulatory powers, or power to sit outside of congressional sessions, and with the fair certainty that the matter would be, for one reason or another permitted to die in the committee, then apparently all parties present would agree that it would be advisable to have the matter referred to such a congressional committee.

Then a letter on page 2074 of the record of public hearings from the Trade Commission to Congressman Carlin relative to the proposed investigations:

HON. C. C. CARLIN,
Committee on the Judiciary of the House of Representatives,
Washington, D. C.

MY DEAR CONGRESSMAN: Your letter of the 27th instant requesting information with respect to a proposed investigation of the meat-packing industry and related branches of business has been received, together with inclosures referred therein, and given careful consideration.

From an examination of the proposed resolution submitted, as well as from such reading of the printed testimony as time has permitted, it is evident to the commission that the proposed investigation is of an unusually complex and different character. Tentative estimates of the cost have been based upon comparisons with the cost of previous investigations, from which the commission concludes that a thorough and comprehensive investigation and study of the packing industry and its related branches of business would cost \$142,000.

WOULD REQUIRE EIGHTEEN MONTHS.

Inasmuch as the investigations now required to be made by the Federal Trade Commission will undoubtedly necessitate the use of all the funds available to it during the present fiscal year, it is evident that if this investigation should be undertaken at this time it would be necessary to have an additional temporary force for that specific purpose and an appropriation sufficient to cover all the expenses incident to the same. Because of the complex character of the meat packing business and related industries, it is the opinion of this commission that a comprehensive and thorough investigation, including the preparation of the report, would require approximately eighteen months. Not all of the force would be employed as long as this, but it would be at least a year and a half from the time the work was begun until it was completed, the bulk of the force being employed from twelve to fifteen months.

APPROPRIATION WOULD BE NEEDED.

In accordance with the foregoing, it is respectfully suggested that if this commission is charged with the duty of making such an investigation an appropriation in the amount of the estimated cost, namely, \$142,000, should be made for this purpose and that it should be available for the payment of salaries of employees per diem in lieu of subsistence and travel expenses, stationery, printing, and necessary office rent.

This estimate included \$5,000 for stationery and printing and \$2,500 for office rent. The necessity of making a portion of the appropriation available for the payment of rent is due to the fact that the present appropriation for the commission for that purpose is not sufficient to provide accommodations for any additional force.

It is needless to state that the commission would be very glad to undertake this investigation, but it seems desirable to inform the committee of the limitations with respect to appropriations under which it is working.

Very respectfully,

EDWARD N. HURLEY, *Chairman.*

And then a letter from Edward N. Hurley, Chairman of the Federal Trade Commission, dated January 18, 1917, to the President, the Borland resolution not having been acted upon in the House:

FEDERAL TRADE COMMISSION,
OFFICE OF THE CHAIRMAN,
Washington, January 18, 1917.

The President, The White House.

MY DEAR MR. PRESIDENT: Your letter of January 10, including letter to you from Congressman Kent, dated January 9, regarding the proposed investigation by the Federal Trade Commission, of food, and especially of meat, and supplies, and their cost, has been received. The suggestion in Congressman Kent's letter that the Federal Trade Commission proceed under paragraph (d) of section 6, indicates that the investigation is aimed at present high prices and immediate relief therefrom. The Department of Justice is entrusted with the enforcement of the anti-trust laws and has existing facilities which it can presently use to determine whether or not there is a violation of these laws. If the purpose, then, is immediate relief, the Department of Justice is the proper body to make such an investigation.

If, on the other hand, the purpose of the proposed investigation into the cost of food products is to gather data and material which would be a basis for a complete economic study, then an investigation on a scale much larger than could be properly carried out by the Department of Justice seems obviously necessary. The general investigation, however, by any one administrative department of the Government along lines previously adopted seems to me at this time inadvisable. Probably two years, at least, will elapse before the investigating body could compile and publish such a comprehensive report. If abnormal conditions prevailed during the entire course of such an investigation the cost figures and other facts together would have little value when applied to normal conditions. Furthermore, were the war to end after the investigating body had gathered half of its data, it seems unnecessary to say that the final compilation of cost figures and other facts, its first half based on abnormal war conditions and the second half based on the conditions of a period of readjustment, would be absolutely valueless.

Artificial causes of high prices, such as the manipulation of cold-storage plants, might be regulated by the National Government in so far as interstate shipments are concerned, but a Federal law would not be as effective as individual action by the States.

The cost of practically all necessities of life, such as coal and clothing, have been rising in cost proportionately with food products. A separate investigation of food products would merely touch one factor of the high cost of food products, and an investigation of the high cost of food products, which in itself is a matter of great ramifications and detail, would merely touch one factor of the high cost of living.

The appointment of an ordinary investigating committee, I fear, would not bring any relief. It is so large a subject, involving all the fundamental prin-

ciples of supply and demand, as well as artificial manipulation, that I am convinced that the only kind of an inquiry that would be at all effective would be one made jointly by the heads of Government departments which have the authority to adopt and put into effect any remedial suggestions that may result from the inquiry itself.

The trouble has been in the past that a voluminous report is invariably made at a time when public interest has subsided. The report is then submitted to the heads of departments or to Congress at the time when there is a decline of interest. Moreover, action is then asked from officials who have not the benefit of first-hand information and who do not care to wade through a report.

The Department of Agriculture deals more directly with the cattle raisers and the wholesale distribution of all food products than any other branch of the Government. The Department of Commerce has a direct relation with the middleman. The Department of the Interior has authority over such fundamental questions as the development of water power, which, I believe, would lead to a lowering of the cost of living, placing water power in competition with coal power and thereby reducing the coal bill. All these departments have certain authority which, if used to the fullest sense, even in an advisory capacity, might result in the adoption of fundamental improvements in our national system of costs.

The Federal Trade Commission is entrusted with the regulation of trade products with the view of keeping competition free and open so that competition may regulate prices, and the Department of Justice is the medium for the enforcement of the antitrust laws.

My suggestion, therefore, is as follows: If you could see your way clear to appoint a departmental committee, which would invite various interests to appear in a friendly way and make their suggestions, such a committee might be constituted by the assistant secretaries or other representatives of the Department of Agriculture, Department of Commerce, and the Department of the Interior, with one member of the Federal Trade Commission and an Assistant Attorney General.

The moral influence in the presence of the Assistant Attorney General doubtless would be helpful.

Whatever might be learned in this matter—and I believe a great deal could be learned by a small departmental committee of this kind—should be applied immediately.

It would not be necessary to ask Congress to give special powers to the committee. It has been my experience that most men asked to cooperate with the Government will do so without force, except in some rare instances.

Yours, respectfully,

EDWARD N. HURLEY.

This letter to the President was the result of a call on the President by Messrs. Borland, Garner, Doolittle, and Kent. It appeared to them that Congress was not going to act and it would be necessary to have the President authorize and order an investigation. In this interview the President stated to them—and that was about the middle of January—that he sympathized with the case, but he doubted his authority to act, and then Congressman William Kent consulted with his colleagues and wrote this letter to the President:

HOUSE OF REPRESENTATIVES.
Washington, D. C., January 9, 1917.

The PRESIDENT,
The White House.

My dear Mr. President:

Subsequent to the call which a number of us made on you concerning a proposed investigation before the Federal Trade Commission of food, and specially of meat supplies and their costs, there have been a number of happenings that would make it appear that such a resolution will not be easy sailing through Congress.

You stated that you realized the importance of the investigation but doubted your authority to act. I would respectfully refer you to the enactment of the 63rd Congress, page 721, where, in the act creating the Federal Trade Commission you will find in section 6, paragraph D, the following:

"Upon direction of the President or either House of Congress to investigate and report the facts relating to any alleged violations of the antitrust acts by any corporation."

"This specifically grants you the power of calling for an investigation and the allegations of the violations of the anti-trust laws have been made in public form, so that there is no question about the foundation for your giving directions."

I most urgently request that you direct the Federal Trade Commission to act and nothing but a desire to relieve you of unnecessary detail prevents me compiling allegations, evidence, and specific requests for such an investigation.

The subject is one of tremendous importance and can not be adequately or properly handled by the market bureau of the Agricultural Department for reasons clearly stated by Secretary Houston, namely, that without power to administer oaths, subpoena witnesses, examine accounts, or call for documents, there can be no definite knowledge of the hiatus filled by the packers between the producer and the consumer.

I respectfully and urgently request an interview with you on this subject unless you are already sure in your own mind of the need of turning the attention of the Federal Trade Commission to this subject.

Yours, truly,

WILLIAM KENT.

The President after getting that letter wrote to Mr. Hurley inclosing a copy of Mr. Kent's letter, and Mr. Hurley's reply is the one I have just read.

Senator GRONNA. Mr. Hurley was then chairman of the Federal Trade Commission?

Mr. HENNEY. Chairman of the Federal Trade Commission. That carries out one of the plans the packers had laid down back in February.

Senator NORRIS. Just a moment, Mr. Henney: Tomorrow we will take the testimony of Mr. McIsaacs and Mr. Adams, and later in the day we could get Mr. Williams, if we want him. But at least from testimony in connection with Henney.

[After consultation.] It ought to be had. When we adjourn we will adjourn to meet tomorrow.

Senator WADSWORTH. Referring just a moment to the letter which the witness read, from Mr. Veeder to Mr. L. F. Swift, in which Mr. Veeder relates that he called upon me and Representative Mann, and the chairman of the Federal Trade Commission, Mr. Hurley. He goes on to say:

"I learned that the Borland resolution will not be taken up for consideration by the House of Representatives at this session of Congress," and that he learned various other things which are already down in the record, through the reading of the letter.

It may be neither interesting nor important, but it may be proper for me to say that Mr. Veeder did not get any information from me to that effect, because I was in complete ignorance of the whole situation.

Senator NORRIS. I do not think anyone ought to draw the conclusion that it is improper for anyone to see a Senator or Congressman.

Senator WADSWORTH. I was not in the confidence of Mr. Veeder nor in Mr. Mann's confidence.

Senator NORRIS. The letter does not claim that he got any information.

Mr. HENNEY. No. I think it would be obvious from the letter that Mr. Mann would be the gentleman who would know most about what

happened in the House, and the other part of the information he got there he got from Mr. Hurley.

Senator WADSWORTH. I am not endeavoring to place any undue portion of the blame, if there is any, upon anybody else.

Senator NORRIS. It seems to me that letter is only important to show that the packers had somebody looking after their business here and trying to get information.

Mr. HENRY. There is one other matter in connection with that, because you may not be here, and I do not know where to put my hands on it or I would do so now. It is the letter of Louis Swift introducing McManus and saying he will want advice and perhaps assistance in matters pending before Congress; and this was in the spring some time in 1916, at the time the Borland resolution was the matter pending.

Senator WADSWORTH. I have a recollection of some such letter and of having been called upon by Mr. McManus, as I remember, later on.

Mr. HENRY. If I could read the reply of Congressman Kent, it finishes this subject. I started to say that this was a very comprehensive scheme of Mr. Hurley's and was exactly in line as a part of the plan that the packers had agreed on in February in having a scheme so large that it would be unattractive and futile. Then, on January 26, 1917, Congressman Kent wrote as follows:

The PRESIDENT.

The White House.

DEAR MR. PRESIDENT: I have received a letter from Mr. Tumulty inclosing a copy of a letter addressed to you by the chairman of the Federal Trade Commission of the date of January 10, 1917.

I feel sure that under the pressure of your duties and the burdens you did not have time to read this communication or it would not have been forwarded to me.

Permit me to quote the concluding paragraphs, which follow nearly two pages of reading why some one ought to act or fail to act:

"The Federal Trade Commission is intrusted with the regulation of trades products with the view to keeping competition free and open, so that competition may regulate prices, and the Department of Justice is the medium for the enforcement of the antitrust laws."

It is our contention that the Federal Trade Commission was given authority to subpoena witnesses and examine books so that it might learn how to keep competition free and open and know whether or not it is free and open. If not given these powers for this specific purpose, why should there be a Federal Trade Commission, and why should such powers have been granted it?

"My suggestion, therefore, is as follows: If you could see your way clear to appoint a departmental committee, which would invite various interests to appear in a friendly way and make their suggestions, such a committee might be constituted by the assistant secretaries or other representatives of the Department of Agriculture, Department of Commerce, and Department of the Interior, with one member of the Federal Trade Commission, and an assistant attorney general.

"The moral influence in the presence of the assistant attorney general doubtless would be helpful.

"Whatever might be learned in this matter, and I believe a great deal could be learned by a small departmental committee of this kind could be applied immediately.

"It would not be necessary to ask Congress to give special powers to the committee. It has been my experience that most men asked to cooperate with the Government will do so without force, except in some rare instances."

This toothless, clawless, unarmed, and unarmored method of conducting what is in the nature of a contest between a lot of disorganized meat producers and consumers on two sides of the field as against the entrenched packers whom we have no hesitation in declaring to be law breakers would be laughable if not

tragic. If the Federal Trade Commission is constituted for the purpose of having the lamb lie down inside the lion, it would seem that it is superfluous. There are plenty of means of securing information more or less accurate, such as the packers are willing to put out, but we have been hoping that through the authority of law we could have the meat business investigated to the end of obtaining a full comprehensive knowledge of conditions of production, manufacture, distribution, and costs, which investigation can never be possible except under due authority of law, with ample powers granted the investigating body.

The alternative to this is Secretary Houston's proposition that the Market Bureau of the Agricultural Department be granted full investigating powers. The Secretary frankly stated that he preferred that the Federal Trade Commission should exercise these powers in that portion of the field of investigation which could not be penetrated by the ordinary courteous investigations of the Market Bureau.

You know how averse I am to bothering you with such detail, but I am sure on reading Chairman Hurley's letter that you will wonder with me what the Federal Trade Commission is for.

Following that the President sent the instructions to the Federal Trade Commission to make the investigation.

Senator NORRIS. The committee will now stand adjourned to meet at 10 o'clock to-morrow.

(Thereupon, at 11.55 o'clock a. m., the committee adjourned to meet to-morrow, Friday, January 17, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT PACKING INDUSTRY.

FRIDAY, JANUARY 17, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10.30 o'clock a. m., Hon. George W. Norris, presiding.

Present: Senators Norris (acting chairman), Page, Gronna, Kenyon, Wadsworth, jr., and France.

Senator NORRIS. Here is a letter which was written to the Agricultural Committee of the Senate and House, which I will read to the committee:

[Executive committee: W. T. Creasy, chairman, Catawissa, Pa.; Charles S. Barrett, Union City, Ga.; R. D. Cooper, Little Falls, N. Y.; Gifford Pinchot, Milford, Pa.; Charles McCarthy, Madison, Wis. Member organizations: Farmers Educational and Cooperative Union of America, National Council of Farmers Cooperative Associations, National Dairy Union, Pennsylvania Rural Progress Association, National Agricultural Organization Society, Farmers' National Congress, National Conference on Marketing and Farm Credits, National Milk Producers Federation, Federation of Jewish Farmers of America, Farmers Society of Equity. Charles A. Lyman, secretary.]

NATIONAL BOARD OF FARM ORGANIZATIONS,
615 WOODWARD BUILDING,
Washington, D. C., January 14, 1919.

To the AGRICULTURAL COMMITTEES of the SENATE and HOUSE,
Washington, D. C.

GENTLEMEN: In behalf of the National Board of Farm Organizations, we beg to inform your committee that we indorse the position taken by the Federal Trade Commission for the regulation of the meat industry of this country.

More than 3,000,000 farmers through their representatives at meetings held under the auspices of the National Board of Farm Organization have gone on record in favor of having the meat industry put on such a basis that the independent and farmers' cooperative packing plants shall have the same privileges and advantages as the large concerns. We firmly believe that live-stock producers will benefit from such a plan. We see nothing better at this time than the proposals made by the Federal Trade Commission.

We respectfully ask your committee to embody said proposals in a measure for the consideration of your respective legislative bodies.

We transmit herewith copies of the farmers' win-the-war program, on page 9 of which is to be found the resolution adopted at the August meeting indorsing the position taken by the Federal Trade Commission.

Respectfully, yours,

WM. T. CREASY, *Chairman.*
CHAS. A. LYMAN, *Secretary.*

The recommendations of the Federal Trade Commission that the Government acquire the rolling stock, stock yards, privately owned refrigerator cars, branch houses, cold-storage plants, etc., referred to as being on page 9 of the win-the-war pamphlet, is as follows:

10. We have heard with real interest the recommendations of the Federal Trade Commission that the Government acquire the rolling stock, stock yards,

privately owned refrigerator cars, branch houses, cold-storage plants, etc., of the meat packers and that the ownership and operation of these agencies be declared a Government monopoly, to the end that there may no longer be private monopolies of these vast agencies. We heartily concur in such recommendations of the Federal Trade Commission and urge their adoption.

We will now hear Mr. McIsaac.

**TESTIMONY OF MR. HUGH McISAAC, WAR LABOR BOARD,
WASHINGTON, D. C.**

The witness was duly sworn by Senator Norris.

Senator NORRIS. Please state to the stenographer your residence and business.

Mr. McISAAC. My residence is Washington, D. C.; occupation, with the War Labor Board; an attorney by profession.

Senator NORRIS. Were you formerly, Mr. McIsaac, in the employ of the Federal Trade Commission?

Mr. McISAAC. Yes.

Senator NORRIS. You heard Mr. Heney's testimony in regard to the so-called Veeder vault investigation?

Mr. McISAAC. Yes.

Senator NORRIS. Were you one of the representatives of the Federal Trade Commission in taking possession of the Veeder vault and making some examination of the contents of that vault?

Mr. McISAAC. Yes, sir.

Senator NORRIS. You were there in such capacity, as a representative of the Federal Trade Commission?

Mr. McISAAC. Yes, sir.

Senator NORRIS. And were there at the time the injunction was served by the court against further proceedings?

Mr. McISAAC. Yes, sir.

Senator NORRIS. How far had you proceeded at that time?

Mr. McISAAC. I would like to go into that in detail, if I may, because you will probably hear a good deal of the Veeder vault proceedings.

Senator NORRIS. All right.

Mr. McISAAC. I was instructed by Mr. Heney to go to Mr. Veeder's office and make a formal request for inspection of the papers there relating to the packing industry, and so went. I saw Mr. Veeder, and stated in a general way what I wanted; and Mr. Veeder is a man of rather peculiar temperament; he does not seem to have acquired the faculty of controlling his emotions very well, and he appeared to be very much rattled and nervous about it, and talked it over for a while, and then said he would first have to see Mr. Louis Swift, and he requested time to go out to the stockyards and confer with him. I agreed to that; and in the meanwhile I asked if he had any indexes to his files, and was told he had; and I suggested that while he was out at the stockyards that I might look over the indexes and see if, in a general way, we could determine just what we wanted.

So, while he was at the stockyards I took a complete copy of his file indexes; they were very lengthy.

And when he came back he said that we could go ahead with the examination, except that he would first inspect all papers before sub-

mitting them to me, and that he would determine whether they were purely legal papers, purely papers belonging to the office in his capacity as an attorney, or whether they were papers of the packing corporations.

I objected to that; but at the time Mr. Heney was away, and I anticipated that he would have a good deal of difficulty with Mr. Veeder, from what I had heard before. I had heard concerning the contents of the office in a general way, and I wanted to keep things going and keep in contact with him, and not come to an open break while Mr. Heney was away, and keep the thing moving along.

Well, we started in—first let me say that Mr. Lederman went into the vault and went over certain files from the index I had. Mr. Lederman, his clerk, would go into the vault and bring them out, and in the beginning I succeeded in persuading them to let me go through some of the files without his first submitting them, and I went through a few that way, and then, as the thing went on, there were some things turned up in the files that he had perhaps forgotten were there. He remarked once in a while that he did not even know those things were in the files. He became more and more obstructive as the thing went along, and I made no formal demand for copies of any of the papers I saw.

My idea was to get through as many of them as possible before making any formal demands, although I did as the work went along take copies of a few things; among them being percentages, which apparently were the percentage figures under which they divided the various purchases and which correspond with the total number of cattle purchased for a great many years before throughout the country; that is, the proportion of purchases of the packers.

I forget to mention that at the end of the first day, after I had completed the index and Mr. Veeder came back, it was then late, and he suggested that we go on the next day. I said that it might be a good thing for his protection as well as ours that we place a seal on the vault during the night, and he at first demurred to that, but finally agreed to do it. I had no legal authority to arbitrarily place the seal on, and did not want to do that. He said it was necessary to get into the vault to take out routine papers when the office opened in the morning. So I agreed to get there in the mornings early and personally remove the seals and then we could go on with the work, and they would take out in my presence the papers needed for the routine work of the day. And we did that for a day or two.

Toward the end of the week, Mr. Heney had commenced the hearing, and some matters had come out that annoyed the packers considerably, and Mr. Veeder had been growing more and more obstructive as the thing went along, raising objections all the time. Some days he would be in an apparently good mood and humor, and the next day he would threaten to end the thing entirely. And on the last day that I was in there going over any of the papers, I called for the file of Libby, McNeal & Libby, and that seemed to disturb him considerably. He denied that there was anything in that at all. He said there was nothing there but matters he had handled as counsel, and he brought out one file finally that he said contained nothing but deeds, and he looked through some of the papers, and for the whole of the last day he would sit there [illustrating] and I would sit here and he would hunch up over the papers and look them over and put

them aside; some he would give to me that were of no consequence in the investigation.

I might mention the reason I wanted to see the Libby, McNeil & Libby file was because a short time before there was a bill in Congress affecting the Alaska fisheries; it was a bill under which anybody who would file a map showing location, and pay certain fees—the salmon have certain runs, as I understand it, and anybody who had filed a location would have a perpetual right to those runs, which was somewhat along the line of the system of finding a mining claim. Libby, McNeil & Libby, which is a Swift corporation, have very large interests in the Alaska fisheries, and I believe that I would have found something in reference to that in those files. That legislation, I believe, passed the House committee and was defeated on the floor; I believe Mr. Kent and some others raised objections to it.

At any rate, I did not see that file, with the exception of a few deeds.

The next morning when I went over there, Mr. Veeder said he intended to end the thing, and he was going to take the seal off.

Meanwhile, some days they would say, when I went there, that they did not need any papers, but that Veeder himself had to be out, and he would not do any work that day, because Veeder had insisted that he should personally handle the papers, and he would not delegate any person in the office to inspect the papers before they were submitted to me.

And we got on agreeably enough. Veeder and I, except I was in a very difficult position. I did not trust either Veeder or Lederman, his assistant. I had been warned that Lederman was a rather shifty individual, and Lederman was the man who used to go into the vault and bring out the papers, and I noticed in one file, marked "The Federal Trade Commission file," that apparently some papers were missing, and I walked in after Lederman into the vault one day and found a second file laid aside on a shelf away from the filing cabinets, and I brought that out myself, and I did not let Lederman know what was in my mind, but I urged him to be careful about concealing any files, and be careful to bring out everything that was in a file.

That ended it. That brings it up to Mr. Heney's story, when the next day Veeder took off the seals, and the matter was turned over to the Department of Justice and they brought a search warrant.

Senator NORRIS. Did you operate any under the search warrant?

Mr. McISAAC. Yes; I was one of those who went over there.

Senator NORRIS. Go ahead and tell what you did.

Mr. McISAAC. Under the search warrant we were in there not so very long, and we took a number of papers from the files; some of those I had seen previously. Most of those I worked on that day were most of those I had seen, and they were put into the suit case, and that was brought into court and afterwards returned.

Of the papers that I saw as I went along I can remember several of them, and I remember others in a general way.

Senator NORRIS. Well, before you tell as to the contents of them, what happened in the injunction suit that was brought to restrain you from going further? After the search warrant was issued there was an injunction issued?

. McISAAC. There was an injunction issued, and the whole thing held up in the courts then until it was decided adversely to the government, and this suit case, which contained the papers taken by myself and others who were working there that day, was needed.

iator NORRIS. It was returned?

. McISAAC. Yes.

iator NORRIS. You have not ever seen those papers since?

. McISAAC. I have not. The commission afterwards attempted to get further access to the papers, and I think Mr. Adams can give something on that. I was not in that.

iator NORRIS. You can tell the committee what you did see and it was.

. McISAAC. Well, there were a great mass of papers and just a few things that stick out in my mind.

One thing that struck me was—it seems the packers had engaged Prof. Weld, whom I think was formerly of Yale, to frame—if my recollection is correct—the answer of the packers to the Federal Trade Commission investigation; that is, he was to prepare any statement which they would furnish to the commission and to the public as well, and there was a copy of that, of Prof. Weld's draft of a Veeder papers in the Federal Trade Commission file, and the thing that struck me in that was Prof. Weld made very positive statements as to their being no combination or any restraints or concerted action among the packers. I remember one sentence saying, "There is no combination among the packers." And several statements of that kind were they were changed in written memoranda which looked like Veeder's hand writing, so as not to contradict the positive statement, although a casual reading of it would give the person the impression that the statement was made.

But the whole thing was changed so that there was no positive indication that there was not any combination or that there was not a restraint. All those things were eliminated from Prof. Weld's statement.

There was another letter—there was a file of the American Meat Packers' Association—there was a letter in that, I think, from Swift & Co. to Veeder, arranging for the payment of \$5,000 a year to George L. McCarthy, the secretary of the association, and there was a statement, apparently in Veeder's writing, on the face of that which said "No book entry; charge Arthur Meeker account." Meeker is president of Armour & Co. There was nothing in the letter showing what service McCarthy performed for the packers, but they were members of the American Meat Packers' Association, with a number of small dealers; and, I think, McCarthy had something to do with the opposition to the Borland resolution. The context of the letter indicated the \$5,000 was a yearly salary, which had been paid some time.

There was also correspondence between Borders—Borders was a key man for Morris & Co.—and the correspondence in that and other seemed to indicate that he was the man who handled direct disbursements of money pretty much, and there was correspondence concerning contributions to campaign funds and all that. I remember hearing about contributions to candidates for assessor in some

town down in the Middle West, where they contributed to both candidates small amounts, and there was the statement that it would be well to have a friend, no matter which one was elected. And in that connection there was also some reference to a contribution to the campaign of Joseph Taggart, former Congressman from Kansas, and that contribution was \$1,000, and it was paid on a strictly business basis; that is, it was divided up among the five packers in the percentages in which they do business.

Senator KENYON. Were there any reasons known in any correspondence why this money was given to his campaign fund. What was the quid pro quo?

Mr. McISAAC. Then the correspondence showed they were in rather close touch with Taggart, and they relied upon his support in the committee, and, apparently, were in close contact with him as to what was going on in Washington with reference to the Borland resolution.

Senator NORRIS. Who would write these letters?

Mr. McISAAC. If I remember correctly, this letter with reference to Taggart was from Borders to Veeder, and asking him to see that their proper proportion was paid, or it may have been vice versa, from Veeder to Borders, asking that Morris & Co. send their check, something like that. The payments, apparently, were handled through Veeder's office; the arrangement of the contributions was apparently handled through Borders.

Senator NORRIS. When was that, with reference to the Borland resolution being in the House?

Mr. McISAAC. If I remember correctly, it was in Taggart's last campaign.

Senator KENYON. Was the reference in the correspondence that tied it up in any with the Borland resolution?

Mr. McISAAC. The contribution itself?

Senator KENYON. That is, were they making contributions to the campaign because they wanted him to take care of the Borland resolution, or help take care of it?

Mr. McISAAC. There was nothing in the correspondence directly on that. There was simply the mention of the contribution, and then the mention of Taggart a number of times, and his "votes," and all of that, and mentioning him as friendly to them. I am not clear on that; there was one letter where they appeared to be a little doubtful about him, and something was to be done to see him. I think I had better withdraw that, because I am not clear about it. There was considerable correspondence as to Taggart and his votes, etc.

Senator KENYON. Was there anything about contributions to the national campaign fund of either party?

Mr. McISAAC. I did not see anything of that kind.

Senator KENYON. Or was there anything about contributions to State campaign funds of either party?

Mr. McISAAC. No; I did not see anything of that kind myself.

Senator KENYON. Or about individual campaigns of any one besides this one man?

Mr. McISAAC. Yes; there was a reference about a contribution to Mr. Mann, I think; just a small amount they contributed. There was a request from Mr. Mann for support of Mr. Veeder and his friends and a letter—a memorandum of some kind stating, that of course, they would support him as a friend.

nator KENYON. Is that clear now? Let us get that exactly. say you saw a letter from Mr. Mann to them requesting their report.

r. McISAAC. That is my personal recollection.

nator KENYON. And what was that memorandum?

r. McISAAC. And there was either a note on that or a memorandum stating that, of course, they would support him as one of their aids.

nator GRONNA. You saw the letter from Mr. Mann to Mr. Miller?

r. McISAAC. Yes.

nator GRONNA. Well, does Mr. Mann ask for anything except support?

r. McISAAC. No, sir.

nator GRONNA. He did not ask for any money or contributions anything of that sort?

r. McISAAC. No; nothing at all, just an ordinary letter as a candidate would write anybody.

nator GRONNA. May I ask another question, Mr. Chairman?

nator NORRIS. Yes, indeed.

nator GRONNA. You heard the testimony of Mr. Heney, did

r. McISAAC. Yes.

nator GRONNA. He has been here before the committee.

r. McISAAC. I have not heard it all, but I have heard a good deal.

nator GRONNA. Did you hear the testimony of Mr. Heney with reference to the gifts by the packers?

r. McISAAC. Yes.

nator GRONNA. About the steaks and about the horse?

r. McISAAC. Yes.

nator GRONNA. You agree with his statements that he made, do you? You saw those accounts and the books with reference to that, you?

r. McISAAC. I saw the steak letter. I did not see the horse letter—that was in another file, which one of the other examiners saw. The horse letter was in a file labeled "Federal Trade Commission," and it was in substance as Mr. Heney has stated it.

nator KENYON. You saw the other letter?

r. McISAAC. I saw it.

nator KENYON. You saw the steak letter?

r. McISAAC. The steak letter, yes.

nator KENYON. What does that letter say?

r. McISAAC. It was a letter written by Mr. Veeder to Louis, and stated that he had seen Mr. Mann, had a conference with him, and that at the end of the conference Mr. Mann somewhat vaguely said he had not had a good steak for a long time, and Mr. Veeder said in the letter—told Mr. Swift that he thought it was an opportunity to do a little something for Mr. Mann, so he sent a steak—I am not positive whether the letter said "steak" or "steak." My recollection is it was a steak—first, what Mr. Mann was with reference to a steak, but whether Veeder said he had him a steak or roast I have forgotten, but, at any rate, it was a steak or roast, which Veeder said cost \$3.50.

Senator NORRIS. A good many people send Mr. Mann roasts, but not very many of them send him steaks. [Laughter.]

Mr. McISAAC. Well—then the purpose of Veeder in writing apparently was to learn whether this \$3.50 should be charged to the Washington branch house of Swift & Co. or to the Chicago office. The branch houses are held to a very close margin of profits, and they do not like charges of that kind. And so Mr. Swift, in answering, said that while they had no personal account for those things, that it would be all right to charge it to the Chicago office, and said it was nice that Mr. Veeder had the opportunity to please Mr. Mann, and he said that any rate “I do not suppose Mr. Mann will want more than six or seven steaks a year”—steaks or roasts, whatever the thing was, that is the way the letter wound up.

Senator NORRIS. Mr. McIsaac, the committee are entirely ignorant as to these letters, but we want to get all the facts. We would like to have you tell us the contents of any of those letters that had anything to do with the activities of any of the packers and the campaigns for anybody, national, State, or local candidates, or any propaganda to prevent any legislation either in the Federal Government or State legislature or in favor of anything, and we want you to tell all you know about it.

Mr. McISAAC. There was a great deal in the files concerning the opposition to the Borland resolution, and there were some indications of considerable money having been spent here.

Senator NORRIS. Tell us about that, if you can quote the letter or the letters, as to what they said about contributing money and who contributed it.

Mr. McISAAC. Most of that was in the form of memoranda. They seemed to have a habit of putting nearly everything in writing, particularly the Swift & Co. people. They have a habit of making a memorandum on most everything, and all through the files there were memorandums of conversations. If Veeder held a conversation with anybody in particular he would make a note of it and put it in the file, and in that way there were memorandums showing what they were doing. In connection with the telegrams that Mr. Heney spoke of that were being sent to Congressmen opposing the Borland resolution, in the files I saw one form telegram apparently prepared by Veeder or some of the Swift people to be sent to the packers and their friends in various sections, and with instructions to have those sent to Washington, and have them modified so that they would not all read the same; and in a great many instances the people to whom the telegrams were sent wrote in to Swift & Co., and the letters were forwarded to Veeder's office, saying they had sent the telegrams, as requested, and inclosing a copy. There was quite a bundle of them, as I remember.

I believe there are a number of them in the records.

Senator NORRIS. Give the names of the bankers or any of them that you can give, or of the people?

Mr. McISAAC. I can not do that from memory, Mr. Chairman.

Senator NORRIS. Have you any idea how many there were?

Mr. McISAAC. Oh, I think there were 300 or 400 telegrams.

Senator NORRIS. Relating to the Borland resolution?

Mr. McISAAC. Yes. And I have no idea how many then were urged to send telegrams, but there was a memorandum there show-

ing that the matter had been taken up, and they had all agreed to use their efforts and their influence wherever it would reach for that particular purpose of sending telegrams.

Senator KENYON. You say there were indications, as I understand your answer, of a good deal of money having been spent here. What were those indications? That is a pretty broad statement.

Mr. McISAAC. I do not want to state there was money used corruptly, but I mean as lobbying money; they had their own men here.

Senator KENYON. Who were they?

Mr. McISAAC. McManus was one and the other names that were in that file or statement that was sent to Swift, and a man, I believe, named Walters, who represented Morris & Co., or Wilson & Co.; I am not sure; then Veeder, himself, was here a great deal; so was Leeker, representing Swift and Armour; and then they had some local man; Mr. Heney has mentioned this Mr. Livingstone. Mr. John Eversman did some work for Wilson & Co. Mr. Logan apparently was not a lobbyist; he apparently did not have much to do with the congressional end, but his function seemed to be to send them reports of the progress of the legislation and the progress of the investigation, so after the Federal Trade Commission got under way he will send them reports.

Senator KENYON. Did you see any of those reports?

Mr. McISAAC. Yes.

Senator NORRIS. Who was Logan?

Mr. McISAAC. He is a newspaper man.

Senator NORRIS. Thomas Logan?

Mr. McISAAC. Thomas F. Logan.

Senator NORRIS. What did he send and what seemed to be his activities?

Mr. McISAAC. He used to send them reports of the legislative situation, a straight statement of the facts without color, or without anything in it other than simply reporting to them.

Senator NORRIS. Would he make suggestions as to what to do?

Mr. McISAAC. No; he did not make any suggestions at all.

Senator NORRIS. He just gave them a report of conditions?

Mr. McISAAC. Yes; so far as I could see he was the only one who was accurate and really knew what he was doing; the others seemed to have rather amateurish ideas of conditions in Washington.

Senator NORRIS. Tell us what Mr. Logan said in any of those matters?

Mr. McISAAC. I can not remember, Senator.

Senator NORRIS. Do you know what the newspaper or newspapers were that Logan represented here in Washington?

Mr. McISAAC. He represents Leslie's Weekly, for one, and he represents a Philadelphia paper.

Senator NORRIS. Is it the Inquirer?

Mr. McISAAC. I think it is the Inquirer.

Senator NORRIS. Then he had access to the Press Gallery of the Senate?

Mr. McISAAC. Oh, Yes.

Senator NORRIS. How much was he paid?

Mr. McISAAC. I do not know; there was not anything. I presume that was probably one of the items of which there was no book entry. I do not know.

Senator NORRIS. Were there any notations in regard to his pay?

Mr. McISAAC. No.

Senator NORRIS. To whom did he write?

Mr. McISAAC. I do not believe there was anything on those letters. They were memoranda, and they were apparently copies of telegrams, most of them, and I think they were just signed "Logan." I do not believe there were any letters from him or the other memoranda saying that Logan says so and so, and I remember when one of the packer men was coming to Washington he was asked to get in touch with Logan; I do not remember which one it was.

Senator KENYON. Was there anything about the account for social functions, dinners, and banquets, and such as that?

Mr. McISAAC. I did not find anything of that kind in the papers I saw.

Senator NORRIS. When was the last that you saw anything from Logan there?

Mr. McISAAC. It was, I think, while the investigation was going on.

Senator NORRIS. While it was on—well, that was while you were at work there?

Mr. McISAAC. Not as late as that, but some short time prior.

Senator NORRIS. Would you say a month or week or days?

Mr. McISAAC. I would say within two months anyhow, perhaps three months. There was a reference to Mr. Heney—that was confined, a telegram saying Mr. Heney was to conduct the investigation, and the first telegram stated that he was a man—an attorney, without any comment on him, or at least the report of it was to convey the idea that he was not a particularly strong man. There was a telegram immediately following that correcting it and stating that Heney was—giving something of his history as an investigator and saying that the first telegram had been a mistake.

Senator NORRIS. Who sent those telegrams?

Mr. McISAAC. That was unsigned; I do not know who sent it.

Senator NORRIS. Do you know whether it came from Washington?

Mr. McISAAC. Yes; it was from Washington.

Senator NORRIS. Were there any notations to show who sent it?

Mr. McISAAC. No.

Senator NORRIS. To whom were those telegrams?

Mr. McISAAC. It was in Veeder's file. There was no address and no signature. There were a good many telegrams and letters of that kind that apparently were copies, sent to Veeder's office.

Senator NORRIS. Would your examination of the files lead you to think that the original had been sent somewhere else and the copies retained there?

Mr. McISAAC. The telegram came to somewhere else, a copy going to one of the packers' offices. Veeder's office seemed to be a clearing house for all matters of all packers.

Senator NORRIS. When one of them would get a telegram of that kind he would send a copy to Veeder?

Mr. McISAAC. Yes.

Senator NORRIS. And he would put it on file?

Mr. McISAAC. Yes. On the other hand when Veeder would get one he would send it around to the others.

Senator NORRIS. Do you know in whose employ Logan was?

Mr. McISAAC. No; I do not, except——

Senator NORRIS. How long had he been in their employ?

Mr. McISAAC. There was nothing to indicate that.

Senator NORRIS. Nothing to indicate that?

Mr. McISAAC. No.

Senator NORRIS. Now, Mr. McIsaac, were there any other letters that you have not told us about that you remember?

Mr. McISAAC. There was one rather interesting letter with reference to Secretary of Labor Wilson. That winter, just about the time or a short time before we went to the vault, there was a threatened strike in the Chicago stockyards, and there were committees both of the working men and the packer representatives here conferring with Secretary Wilson. At that time Louis Swift was in Santa Barbara, and he wrote Veeder some instructions on it, and he apparently was not much disturbed about the prospect for a strike. He instructed Veeder—I think the exact word was to “stall” Secretary Wilson along; that delay was all that they wanted in the matter; and that when he got back he and Veeder would call on the Secretary, and that doubtless would flatter him; that is the way the letter wound up. That letter was in Swift’s own handwriting; that was in the Federal Trade Commission’s file for some reason or other. The files were all mixed up. We had a great deal of difficulty in getting them—you would find an important looking file with an apparently important looking title with nothing in it, and another with an unimportant title you would probably find contained some of the papers you were interested in from the first package.

Senator NORRIS. Was that all they said about Secretary Wilson in any of these letters?

Mr. McISAAC. That is all I remember in connection with that strike.

There were letters indicating that the same lobbying had taken place not only in Washington, but in all the States in regard to oleo-margarin legislation; and there were a great many letters on that, showing that they had divided up the expenses in that the same as all other expenses of that kind. I do not remember any particular letters on that.

Senator PAGE. Do you happen to call just the percentages of the four leading packers?

Mr. McISAAC. They are in the record. I have not them in my memory.

Senator PAGE. Can you give it approximately?

Mr. McISAAC. Just in a rough way, it would be Swift and Armour about 30 per cent each, and Morris 14 per cent. I think Wilson was getting a little above Cudahy, but they were about 10 and 10 each. Roughly, it would be divided, 60 per cent between the two big ones—Swift and Armour—and 40 per cent between the other three.

Senator NORRIS. They divided the expenses in the same proportion?

Mr. McISAAC. Yes; and they laid out funds of that kind which were divided very exactly, right down to the dollars and cents, in that proportion.

Senator NORRIS. Were there any of the letters——

Senator GRONNA (interposing). Before you leave that, I would like to ask a question. In all the correspondence which you saw, Mr.

McIsaac, did it appear that this lobby, as you have described, was sent here for the purpose of appearing before committees, or were they here for the purpose of seeing individuals more than they were to appear before committees and advocate legislation?

Mr. McISAAC. No; there was nothing to indicate that they were here to appear before committees; they were here seeing individuals.

Senator GRONNA. I want to say that in my judgment it makes quite a difference. I think everybody and anybody who can afford to come here has a perfect right to come before a committee and advocate legislation which they may favor or oppose. I think that is a legitimate function. I think the other, of course, is perhaps, if I might use the word, more reprehensible. There was nothing, I understand, to indicate in any other papers that the matter should be taken up before the committee, or was there anything to indicate when any committee was to meet?

Mr. McISAAC. No; there was nothing of that kind. Those men were all here just seeing individuals and doing what they could, I presume, to present their arguments to individuals. But they seemed to take a round-about way of getting the most simple information. The most of the information I found in their files as to what was going on here with reference to the Borland resolution most ought to know; there was nothing secret about it. But apparently some of the people who were writing them were apparently trying to give them the impression it was very difficult to get.

Senator NORRIS. These lobbyists representing them would naturally do that in order to magnify the importance of their job and get more money?

Mr. McISAAC. Certainly.

Senator NORRIS. Go ahead now, Mr. McIsaac, and take up any other matters which you may remember about.

Mr. McISAAC. I do not remember any more specific ones which might be of interest.

Senator NORRIS. Is there anything else that you know about the matter that the committee is investigating?

Mr. McISAAC. I do not think there is more that would be of interest. It is all covered by the reports; it would be covered by testimony.

I am very glad to have an opportunity of stating my connection with the Veeder vault, because you will probably hear much of that later.

Senator GRONNA. I want to ask a question, perhaps, and if it has been covered the stenographer will not take it down. Perhaps Senator Kenyon or some of you asked it. I want to inquire about these telegrams or memorandums from this Thomas F. Logan. Was that merely a report of what had actually happened in Congress with reference to legislation, or was it giving an opinion as to what was likely to happen; was it giving the condition as he thought it might exist, or was it giving a report of what had actually occurred with reference to legislation?

Mr. McISAAC. It did both, except that he had very accurate information as to what would happen, as well as what had already happened, and a good deal of his information—he did not have so many reports there, but some of them dealt with the Federal Trade

Commission's plans with reference to packer investigation also; they were not entirely concerning legislation.

Senator GRONNA. In his report did he give views of the Department of Agriculture or the Bureau of Markets of the Department of Agriculture?

Mr. McISAAC. I do not believe he had any reference to that.

Senator GRONNA. Nor any other department?

Mr. McISAAC. No; his function simply seemed to be to get information concerning what might affect the packers in connection with the Borland resolution, and sent it along, and that seemed to be the limit of his activities.

Senator NORRIS. You say the information he gave as to what would happen was accurate?

Mr. McISAAC. Yes.

Senator NORRIS. It turned out that way, did it?

Mr. McISAAC. Yes; I think so.

Senator NORRIS. Have you in mind any particular thing he reported on in advance that actually happened?

Mr. McISAAC. No; I do not remember. But it struck me at the time that he was the only one who was apparently giving them information that was worth anything.

Senator NORRIS. I guess that is all.

Senator PAGE. Just one word.

Senator NORRIS. Yes.

Senator PAGE. Do you recall any information conveyed to any member of the Committee on Agriculture and Forestry or any Member of the United States Senate that seemed to you to be reprehensible?

Mr. McISAAC. You mean information?

Senator PAGE. Conveyed by the packers or their representatives in such a way as to make their attentions to legislation reprehensible, in your opinion.

Mr. McISAAC. I do not remember anything being conveyed to any Congressman or Senator directly. The thing, the keynote of the whole correspondence, was a rather sinister attitude toward Congressmen as well as other public men. There was an atmosphere of not dealing in the open; that is the impression I got from those letters. They seemed secretive, even about the smallest things, and they seemed to want to deal with Congress secretly; the whole color of the correspondence was sinister.

Senator PAGE. The question I asked you was, Did they, as far as you know, deal in a sinister manner with any Member of the United States Senate?

Mr. McISAAC. No. In the papers I saw I do not believe I saw any reference to any Senator, except one letter, which one of the Swifts wrote introducing somebody to Senator Wadsworth, and I do not remember any comment on any Senator in the files I saw.

Senator PAGE. What I was trying to get at was if you knew of anything improper that you give it to us.

Mr. McISAAC. No; I personally do not.

Senator PAGE. The matter was largely one in which the packer interests were seeking in some measure to defend themselves against what they regarded as unfriendly attacks by Mr. Borland and others, was it not?

Mr. McISAAC. I do not think you would get that idea from the files. I did not get that impression, that it was a defense. They were simply against investigation of any kind and they were willing to take any means to defeat it, and rather resented that anybody should want to investigate them, and very fearful at the same time of the results of the investigation.

Senator PAGE. Have you any direct evidence bearing on this evidence that you personally know about?

Mr. McISAAC. Which matter?

Senator PAGE. What you have just referred to.

Mr. McISAAC. Yes. I am just speaking of the general tenor of the correspondence.

Senator PAGE. But you do not think there was anything special or particular?

Mr. McISAAC. I do not recall. No one could read the correspondence without getting that impression.

Senator FRANCE. Mr. McISAAC, you realize perfectly well that we can not judge matters here upon general tones, tones of color, sinister or not sinister. We are after definite and specific information.

Senator NORRIS. Doctor, you were not here. Just let me interrupt and state the conditions. I do think you were here, Senator, when we commenced with this witness. He is testifying, it is true, in a way that in ordinary circumstances would not be admissible. But he is testifying about a lot of letters that were taken out of a vault and taken away from him by an injunction proceedings and returned to the packers, so that the letters can not be produced. It is only for that reason that his testimony as to what the letters contained is permissible, and for that reason he is allowed to give his recollection of the contents.

Senator FRANCE. The object of my question was, of course, to bring out definitely any facts which were sinister.

Senator NORRIS. Yes. We would be glad to get any facts he has got.

Senator FRANCE. And any matters which might be in his mind which led him to that conclusion. But a man should not be under a general impression without having some definite and specific facts in his mind which would justify that impression.

Senator NORRIS. Of course, the witness must not be expected, in the nature of things, to remember all these letters. a large number of them that he examined, a year or so ago.

Mr. McISAAC. I will be a little more specific.

Senator FRANCE. I realize that.

Senator NORRIS. I would like to have him be as specific as he can. But the packers have it in their power, if they think the committee has got a wrong impression from what he recollects, to refute it from the letters. The letters are beyond this witness's power and beyond our power. They are under an impression, and if the impression is not right they can produce the letters and absolutely do away with it.

Senator FRANCE. Owing to the fact I was not able to attend these hearings, because of pressure of other matters, I was not familiar with that particular matter, and the purpose of my question was to bring out any matter that Mr. McISAAC had in mind.

Senator NORRIS. It was the natural impression which a person not being familiar with the situation would get; and if he can give any more specifically I wish he would.

Mr. McISAAC. I have never reviewed any of the specific letters.

Senator FRANCE. Do not repeat anything you have been over for my benefit; if it appears in the record that is all that is necessary. Anything which does not appear in the record, however, along that line might be brought forward very properly at this time, unless my question interferes with Senator Norris's desires.

Senator NORRIS. It does not interfere at all. If Mr. McIsaac can give us anything more specific in regard to any of these letter than he has already given, the committee would be glad to have him do it.

Mr. McISAAC. Of course, I don't want to say anything about individuals that would smirch anybody unjustly. But they to my mind took advantage of rather trifling situations in their desire to control men, for instance, Carlin they regarded as their man. Their correspondence showed that—the correspondence with their man Livingstone here, and Livingstone wrote how Carlin had been invited up to his country place in Canada, and they had kept him there a week, and the clear intimation of the letter was that that visit was for the purpose of beating the Borland resolution.

As to Mr. Mann, they apparently, from this little thing about the steak, regarded Mr. Mann as their man. As to Mr. Taggart, they regarded—

Senator PAGE. One word there, before you proceed in regard to Mr. Mann. If the only thing that can be said in regard to Mr. Mann is that he took a friendly piece of steak from somebody connected with the packers' interests, I think it is rather a trifling thing, something that is too belittling to bring it up here in any form whatever.

Mr. McISAAC. I agree with you. I will say that when I saw that letter I paid very little attention to it, and told them so. But the correspondence showed that Veeder himself contributed a small amount to Mann's campaign funds; that Mr. Mann had asked for support and got it, and the correspondence showed that they were on very close relations with Mr. Mann; there is not any question about that.

The same with Mr. Taggart, and those are the only three officials at that time that I recall.

Senator PAGE. What Mr. Taggart was that?

Mr. McISAAC. That was Congressman Joseph Taggart.

Senator NORRIS. A Member of the House of Representatives?

Mr. McISAAC. He was a member of the committee that handled the Borland resolution.

Senator NORRIS. Mr. McIsaac were the packers informed, or did you gather it from this correspondence that you saw, that Mr. Heney was going to be selected by the Trade Commission as their attorney prior to the time he was actually selected?

Mr. McISAAC. No; apparently not. There was an attorney from down in the Middle West, I think Kansas City; I can not recall his name now, that they had mentioned; the correspondence showed that they rather expected he would be employed.

Senator NORRIS. Who?

Mr. McISAAC. This attorney from Kansas City, and I believe he had represented the packers in some other matters, and apparently

they did not know about Mr. Heney's appointment until the appointment was made, or very shortly before. They did know about Mr. Cotton.

Senator NORRIS. Very shortly before?

Mr. McISAAC. I say I am not certain just when they learned it, but my recollection would be that they did not know until it was announced.

Senator NORRIS. There were a couple of letters or telegrams about the appointment of Mr. Heney?

Mr. McISAAC. When he was appointed, saying he had been appointed.

Senator GRONNA. You said, Mr. McIsaac, they did know about Mr. Cotton?

Mr. McISAAC. Yes; they did know about Mr. Cottons' selection before it was publicly announced. I saw a telegram from Wilson & Co., to, I think it was Swift & Co., to Veeder stating Cotton would be appointed, and he was praising him and saying he knew him intimately, or something like that.

Senator NORRIS. Where did they get that information, if you know?

Mr. McISAAC. If my recollection of the telegram is correct, he had a lunch with Wilson. I think that was it, and he had learned it there.

Senator NORRIS. Who had luncheon?

Mr. McISAAC. Cotton. I would not be positive. I would not like to make that as a positive statement; but, anyway, they had been given that information shortly before.

Senator GRONNA. Wilson, the packer?

Mr. McISAAC. Yes; Thomas Wilson.

Senator GRONNA. Do you know where Mr. Wilson got his information?

Mr. McISAAC. I presume he got it from Mr. Cotton; it came from Mr. Cotton directly, about his appointment.

Senator NORRIS. Were the opinions expressed by the packers or their representatives in regard to Cotton?

Mr. McISAAC. Yes; they said he would be a very satisfactory man, and apparently they were pleased with the appointment.

Senator GRONNA. There was nothing there to indicate that the information came from the Food Administration about Mr. Cotton?

Mr. McISAAC. No.

Senator NORRIS. Was there anything in any of these letters or telegrams showing that the representatives of the packers were on more than ordinary friendly relations with the secretaries of any of the committees? Did they get any of the information from a secretary?

Mr. McISAAC. There was nothing in the files I saw about that.

Senator PAGE. Or, let me add, from any Senator?

Mr. McISAAC. I do not remember, in the files I examined, being any comment on Senators. You see, the Borland resolution was up in the House, and most of it was on the House side that I saw.

Senator PAGE. The point I wanted to bring out was, so far as you know, there was no corrupt influence moving between any Senator or the secretary of the committee of any Senator?

Mr. McISAAC. No; there was absolutely nothing that I saw that would indicate anything of that kind.

Senator NORRIS. I guess that is all, Mr. McIsaac.

Senator PAGE. I would like to ask another question, Mr. Chairman, in regard to Mr. Mann. Was there anything in regard to Mr. Mann's attitude with regard to any practice that was, in your judgment, the evidence of any corruption?

Senator NORRIS. All right, you can ask him that question. Mr. McIsaac, did you hear the question?

Senator PAGE. Let the question be read.

(The stenographer read as follows:)

Was there anything in regard to Mr. Mann's attitude with regard to any practice that was, in your judgment, the evidence of any corruption?

Mr. McISAAC. I do not know whether I can answer that, Senator—whether I am qualified to state whether it is corrupt to receive a horse or a steak.

Senator PAGE. If there is anything that indicates corruption, will you not give it specifically?

Senator FRANCE. What about the steak? Of course a good steak is a very rare thing.

Senator PAGE. A good rare steak is.

Senator NORRIS. Senator, we will have to go into that.

Senator FRANCE. A good rare steak is very rare.

Senator PAGE. The Senator from Maryland raises that question.

Mr. McISAAC. I gave my recollection of that letter, Senator I will repeat it if you wish.

Senator FRANCE. Do not repeat anything for my benefit.

Mr. McISAAC. I do not like to pass on the question whether it is corrupt to receive a horse or a steak or campaign funds from interests that have legislation before Congress, to any Member of Congress; I am not qualified to judge that.

Senator PAGE. You rather impugned the motives of Congressman Mann when you by indirection say he was guilty of some act that was not commendable.

Mr. McISAAC. Beg to differ there with you, Senator. I do not want to impugn Mr. Mann at all, and personally I have always had a friendship for Mr. Mann, and, as I said before, when I saw that steak letter I did not give it much importance. When it developed that Mr. Mann had introduced the rider in Congress which apparently was to carry out the plan of the packers in regard to the Borland resolution, that, taken with the steak and the horse, and the campaign contribution, and Mr. Mann's request for support, and the conference which the packers' representatives evidently had with Mr. Mann, make the whole thing, including the steak and the horse, immediately more important. I believe the horse matter came up about the time that the Roosevelt legislation was up for the inspection of the packers. That was a long time ago. I do not want to pass on those matters.

Senator GRONNA. Outside of what has been mentioned both by Mr. Heney and yourself, that there actually was a horse given to Mr. Mann by the packers, and that there was one steak given to Mr. Mann by the packers, and charged up to the expense account by the packers, did you find anything that would indicate any transaction that you would call corrupt between the packers and Mr. Mann?

Mr. McISAAC. I do not see how I can answer that question. If Mr. Mann knew of the plan under which the packers were working, and if he, at their behest, introduced that rider in accordance with their

plan, it certainly was corrupt. They may have secured his aid in that matter without his knowing about their real purpose.

Senator GRONNA. I think I am not making myself understood. I am not referring now to the position Mr. Mann took with reference to legislative matters here at all. I am just asking you what you found, what you actually found, in the files or on the books or anywhere in your investigation, outside of the two matters which I have mentioned, which I shall not characterize, which, in your judgment, was corrupt; that you would consider corrupt in what happened between the packers and Mr. Mann?

Mr. McISAAC. I found nothing other than what has been stated.

Senator GRONNA. Or you would consider as sinister.

Mr. McISAAC. Well, now, I do not think I ought to be required to answer that. I do not want to comment on Mr. Mann. I would prefer to let the facts state for themselves. I have repeated what the facts are.

Senator GRONNA. Mr. Chairman, I must insist on an answer to that question.

Senator NORRIS. We will put it to a vote, if you want to. But it seems to me, gentlemen, that when the witness states the facts as he gave them——

Mr. McISAAC (interposing). Some people might differ——

Senator NORRIS (continuing). Every Senator and member of the committee can draw his own conclusion. He can think it is worthless or important. So will everybody else. I do not think the witness ought to be called on to express an opinion as to whether that state of facts constitutes corruption or no.

Senator GRONNA. I am not asking for that, Mr. Chairman, but I am asking Mr. McIsaac if he found in those records any facts, except those he described.

Senator NORRIS. He can answer that.

Mr. McISAAC. I found with reference to Mr. Mann nothing further.

Senator GRONNA. That will satisfy me.

Senator PAGE. Some critical mind. Senator, might urge that the witness ought not to draw conclusions.

Mr. McISAAC. That is what I have been trying to avoid.

Senator NORRIS. That is just what you were asking him to do, and which he ought not to do, with the exception of where he is testifying about something like these letters that he has not in his possession, which are beyond his control; then, as a matter of law, he has got a right to state what the letter contained. Now, as to whether that constitutes a crime or corruption it is not within the province of the witness to say.

Senator GRONNA. It is within his province, Mr. Chairman, to state whether he found anything that would indicate something.

Senator NORRIS. He has stated that thoroughly, and if you want to ask him whether he has found anything else, that is perfectly proper.

Mr. McISAAC. You ask if I found anything sinister. We might differ as to the meaning of the word "sinister." And the only thing I can do is to state what we actually did find, and state the facts as we found them.

Senator NORRIS. We will now hear Mr. Adams.

TESTIMONY OF A. B. ADAMS, EXAMINER, FEDERAL TRADE COMMISSION.

(The witness was duly sworn by Senator Norris.)

Senator NORRIS. Give your name, residence, and occupation.

Mr. ADAMS. My name is A. B. Adams, and I am an examiner of the Federal Trade Commission.

Senator NORRIS. Are you in the employ of the commission now?

Mr. ADAMS. Yes; I am at present an examiner of the commission. I wish to state, if you will permit me to do so, that I wish it to appear in the record that I do not appear here as a representative of the Federal Trade Commission. The only reason for my appearance here is the fact that your chairman asked me to appear, after Mr. Heney's testimony in reference to certain letters which Mr. Heney says I saw in the Veeder files. I do not appear here as the representative of the Federal Trade Commission.

Senator PAGE. Do you think you ought to hear, Senator, in this particular connection, anything that does not appear in connection with the Federal Trade Commission?

Senator NORRIS. He is not going to offer any evidence, so far as I know, of anything that did not appear in reference to the Federal Trade Commission. When Mr. Heney testified that these two men had examined certain letters that were taken out of the Veeder files and were returned in that litigation to the packers, and that those letters were not under the control of the witness or the Federal Trade Commission, then I asked that these two men be put on the stand and testify as to what they saw and what the letters were that they did see.

Now, Senator, to make it perfectly plain, if these letters were in the control of the witness or were within the control of the Federal Trade Commission, then the letters would be the best evidence, and they ought to be produced. But they are in the possession of the packers. These men have seen them. The letters have been taken out of their possession. Under those circumstances, now, when the letter itself is in the possession of the packers, I think we ought to require this witness to tell what those letters were. If he makes any misstatement—and he is testifying with the knowledge that if he does the letters are in existence, the packers have them and they can produce them before the committee and controvert any statement that he makes in reference to them that is not correct. They can produce the letters anyway, if they want to. We would be glad to have them.

Senator PAGE. What is the objection to the witness stating that he appears here in connection with the Federal Trade Commission?

Senator NORRIS. He says he does not appear as a representative of the Federal Trade Commission. I do not care whether he appears as a representative of the Federal Trade Commission or not, so far as I am concerned, but he is in the employ of the Federal Trade Commission.

Senator PAGE. Let us, if we may, understand that the Federal Trade Commission are appearing here in this matter through this witness.

Senator NORRIS. He says not.

Mr. ADAMS. I have not an authorization from the Federal Trade Commission to appear here before this committee as a witness. The chairman has asked me to appear as a witness, and I appear as an individual. I have been and am employed by the Federal Trade Commission as an examiner.

Senator GRONNA. Mr. Chairman, I think I can straighten that out. You will remember that Mr. Heney—perhaps you were not here when he stated that he represented a certain farm organization. I forget the name of it, but he stated he was not representing the Federal Trade Commission at this particular time in this investigation. No one, as I understand it, Mr. Chairman, has appeared to represent the Federal Trade Commission?

Senator NORRIS. No.

Senator GRONNA. And if I understand him to say correctly—if I am wrong I wish the chairman would correct me—that he is one of the men that saw this correspondence.

Senator NORRIS. This man is one of them.

Senator GRONNA. And if he is he ought to be allowed to testify.

Senator NORRIS. Oh, certainly; it is the only way to get it, if we want to get it.

All right, Mr. Adams, you go ahead. You have heard the testimony of Mr. Heney, and you know the particular thing we are trying to get. Tell the committee what you found and all about it.

Mr. ADAMS. In regard to the Veeder vault, I was in the Veeder vault examining papers only for about four or five hours, so I do not know as much about the contents of the Veeder vault as does Mr. McIsaac, who was in there for a considerably longer time. I did find in my examination a letter which was written by Mr. Mann to Henry Veeder—I think it was in July, 1908; however, I would not be certain as to the date.

Senator PAGE. 1908?

Mr. ADAMS. Yes.

Senator PAGE. Ten years ago?

Mr. ADAMS. Yes. In this letter, Mr. Mann thanked Mr. Veeder for the horse which he stated Mr. Veeder had given him, and said that the horse was a magnificent animal, I believe, and that it just suited his purposes.

Then, in connection with that matter, there was a memorandum written by Mr. Veeder to some one down at the stockyards' offices of Swift & Company—I do not remember the name of the individual to whom it was written; I have the impression that it was written to a man by the name of Carton, but I would not be certain. This memorandum stated that the horse Mr. Veeder had given to Mr. Mann was about 13 years old and worth only about \$150. That is all that I remember in reference to the horse.

Senator GRONNA. Did you find any further material with reference to that horse, whether it was charged up to expense, and what the amount was?

Mr. ADAMS. Whether it was charged up to expense?

Senator GRONNA. Yes.

Mr. ADAMS. This memorandum, which was written by Mr. Veeder, had reference to the charging of it, is my recollection, but I do not remember the details that he specified—the charges which would be made in reference to the horse.

Senator GRONNA. I do not want to be critical in my questions at all. I am just asking for information, if the Chairman will allow me. I want to know whether this horse was given Mr. Mann by Mr. Veeder or whether it was given to him by the packers; and if it was charged up to expense as a legitimate expense or illegitimate expense.

Senator PAGE. Let me continue that question a moment, Senator. We are getting a sort of a latent attack on Mr. Mann.

Senator GRONNA. I know, but the attack has been made.

Mr. PAGE. We should know whether that gift was given as a personal gift.

Senator GRONNA. That is what I am trying to get at.

Senator PAGE. And not with reference as to where the charge was made; but whether Mr. Mann knew that that was given to him by any other person than by Mr. Veeder personally. There is the justice of this thing.

(By direction the stenographer read Senator Gronna's question, as follows:)

I do not want to be critical in my questions at all. I am just asking for information, if the chairman will allow me. I want to know whether this horse was given Mr. Mann by Mr. Veeder or whether it was given to him by the packers, and if it was charged up to expense as a legitimate expense or illegitimate expense.

Senator PAGE. And then—

Senator GRONNA (interposing). Do not add anything to my question. You can ask him a question, but that is my question.

Mr. ADAMS. Shall I answer?

Senator NORRIS. Yes.

Mr. ADAMS. The letter written to Mr. Veeder by Mr. Mann would indicate, certainly, that it was Mr. Mann's opinion that the horse was given to him by Mr. Veeder as an individual. The memorandum which Mr. Veeder sent down to the stockyards' office would indicate that the horse was actually given by Swift & Co. But there is no evidence that I saw which indicated that Mr. Mann knew it was given by Swift & Co. Would that answer your question completely?

Senator GRONNA. Yes, sir.

Senator FRANCE. Was this horse given for use in Washington or given out there?

Mr. ADAMS. I do not know.

Senator FRANCE. Was it a draft horse or driving horse or riding horse?

Mr. ADAMS. I do not think the letter stated; if it did, I do not remember.

Senator FRANCE. That is very material, because these large companies, such as the packers, and such as the ice companies, and such as the express companies, have all the time old horses that they are getting rid of. They simply scrap them. They send them to the sales stables if they can. They send sometimes faithful old horses out into the country to be cared for by farmers who work them a little. That is very material. If this is one of the old horses of Swift & Co. that they were getting rid of by scrapping it would make a very great difference. It was 13 years old, and if it was a draft horse which had been used for some time by Swift & Co., the giving of it away would really signify practically nothing.

Mr. ADAMS. Senator, I wish it to be understood thoroughly that I am not appearing here as a witness against Mr. Mann or against any one. I do not and have not attempted to interpret the meaning of the horse letter.

Senator FRANCE. I understand, but I want to find out about the horse, if you have any information about it other than that. That is the object of my question.

Senator NORRIS. Have you any other information except what you gathered there in regard to this horse?

Mr. ADAMS. None whatever; that is all the information I have.

Senator NORRIS. And you have given us all that you have gathered there?

Mr. ADAMS. I have given you all that I gathered there in reference to the horse, yes.

Senator PAGE. Mr. Chairman, my suggestion is this: We are lagging in something here by way of a memorandum that would seem to attach Mr. Mann to the packing industry, when, as a matter of fact, all of the testimony goes to show here that that was a personal gift.

Senator NORRIS. All right. If that is what it shows, then it is eliminated. You can draw that conclusion from it.

Senator PAGE. I know, but we are indirectly lagging in something here—

Senator NORRIS (interposing). From your own statement, Senator, it does not amount to anything, and if it does not it does not hurt anybody. This man is testifying to what he saw there, his recollection of what he saw there is those letters.

Mr. ADAMS. Permit me to say in reference to that, that there were further proceedings in regard to the Veeder vault. After the court decision, examiners of the Federal Trade Commission examined additional papers in Mr. Veeder's vault. There are other examiners of the Federal Trade Commission who have seen both the letter and the memorandum in reference to the horse. The committee can, by asking the Federal Trade Commission, if it desires to do so, get additional testimony in reference to the letter and the memorandum.

Senator PAGE. I do not want any, and I regard it as almost an impertinent attack upon Mr. Mann to lug in that letter here, when it is perfectly clear, from the testimony, that there was no improper influence actuating Mr. Mann or moving to Mr. Mann of which he was cognizant.

Senator NORRIS. If the testimony is perfectly clear to that effect, then, Mr. Mann is completely vindicated right now—if your statement is right. I am not commenting on it. I do not think we ought to comment on it. We can argue this evidence later on. If there is anything else this witness knows in regard to any of those letters he ought to tell it. Whether it convicts anybody or clears anybody is entirely a different question. Were there any other letters which you can remember that you saw there?

Mr. ADAMS. Yes; there was in Mr. Veeder's files a letter which was written to one of the Swift's—I do not remember which one, whether it was L. F. or G. F., there are three of them, I think—by Mr. Dana Durand, in which he recommended to the Swifts the employment of Dr., I believe his initials are H. D. L.—Weld. Swift & Co., it appeared from that letter, had written to Mr. Durand asking

him to suggest a man, and this letter, to which I refer, was in answer to that letter, suggesting the employment of Dr. Weld.

In connection with that letter there was a memorandum Mr. Veeder had sent to the Swifts, down at the yards, stating that he had gone to Cornell and met Mr. Weld and had talked with him, and considered him a suitable man for the work; the memo indicated somewhat the nature of the work, such as writing articles for Swift & Co. in reply to attacks which may be made on Swift & Co., or writing letters, articles, etc., explaining the position of the meat packing companies. One significant thing in the correspondence with reference to Mr. Weld was that they wanted to get a man who stood high in the economic field, especially in reference to marketing, so they considered Mr. Weld a very suitable man for that purpose.

Mr. Weld was employed, and, as I understand, still is with Swift & Co. I have known of cases where Mr. Weld has gone around to the editors of magazines and newspapers, putting the position of the packers before them. As one stated, it appeared to him that Mr. Weld was attempting to get him to write or publish articles which were favorable to the packers.

Senator NORRIS. Who was that?

Mr. ADAMS. This was Mr. Johnson, of the New Republic. I believe that is the name of the magazine.

Senator NORRIS. He is the editor of it, is he?

Mr. ADAMS. He is one of the editors. I think his position is that of associate editor; I am not sure, but anyway he is a writer for the magazine. I would not say he is the editor, but I do know that he writes editorials.

I do not think of any other letters which I saw in the vault that I would care to mention. One thing, it has been a good while since I have seen any of those letters, and I do not like to state from memory that long ago. Anyway, I don't remember just now anyone letter that I consider of very great importance or significance.

Senator PAGE. You regard this one as very significant?

Mr. ADAMS. I did regard it as significant, in view of Mr. Mann's—you mean the letter of Mr. Mann, or this last one?

Senator PAGE. This last one.

Mr. ADAMS. Excuse me. Yes; I regarded this one as significant, from the fact they—Swift & Co.—were going out into the educational field, getting representatives that stood high to put their case before the public.

Senator NORRIS. Were there any letters from Mr. Logan or to Mr. Logan?

Mr. ADAMS. Not that I remember. I do not think I saw a letter to or from Mr. Logan in the vault.

Senator KENYON. Was there anything about campaign funds to national committees, Republican or Democratic?

Mr. ADAMS. No; that is, I did not see any, if there were.

Senator GRONNA. Did you find anything which led you to believe that there was anything being done to head off the new movement in the northwest known as the Nonpartisan League?

Mr. ADAMS. No; I saw no reference to the Nonpartisan League.

Senator KENYON. It was not in existence then, was it?

Senator GRONNA. Yes.

Mr. ADAMS. Just the building.

Senator FRANCE. It can own the building?

Mr. ADAMS. Yes.

Senator FRANCE. And own the meat-market building?

Mr. ADAMS. Yes.

Senator FRANCE. Do you think it would be unconstitutional for it to sell meat?

Mr. ADAMS. I did not say that. I said the recommendation did not recommend the Government selling meat.

Senator KENYON. Have you forgotten the war powers, Senator?

Senator FRANCE. I think the farmers of the United States will take care of the war powers later on.

Mr. ADAMS. I think the interstate commerce clause of the Constitution would permit the United States Government to own marketing facilities.

Senator FRANCE. I am glad to say that I do not think so.

Senator NORRIS. That means, Doctor, does it, to get down to a concrete proposition, that they should own the stockyards?

Mr. ADAMS. Own the stockyards—I did not read that recommendation; this is a different recommendation.

Senator PAGE. But you do recommend that they own the stockyards?

Mr. ADAMS. I do recommend that the Government acquire the stockyards; and that, in addition, the Government acquire all branch houses which ought to be wholesale public markets, so that all food dealers, not only the sellers of meat, but the sellers of groceries, the sellers of poultry and eggs and cheese could carry on their business in these markets.

Now, the Federal Trade Commission found that the big five packers not only slaughter 70 per cent of the animals which are slaughtered by the packers engaged in interstate commerce, but that they also control 65 per cent of the interstate poultry and egg trade of the United States; that the packers control 80 per cent of the cheese business of Wisconsin, which, of course, is the cheese-producing State of the Union, and that the packers are now rapidly increasing their grocery business. It is estimated that the percentages vary in different sections. I believe the Commission has an estimate of its own, but the testimony of Mr. Culver before the Interstate Commerce Committee of the House, just recently, showed that the Commission has evidence that the packers control a very large percentage of the grocery business in the United States, and that they are rapidly increasing that business; that they are fast becoming a food monopoly.

In my opinion a bill which would affect only their meat business, which after all, certainly is not more than 75 per cent of the total business of the big five, would not break the increasing food monopoly of the big five packing companies in the United States. I do not see how it would greatly affect the growing monopoly in the produce and grocery business, and I believe that by the establishment of public markets, putting all dealers on the same basis, giving them all the same or equal facilities, that the monopoly will be broken.

Senator FRANCE. You have made an examination of these figures, professor?

mission made in the summary of its report on the meat industry. I will read the recommendation.

Senator FRANCE. What was the date of that report?

Mr. ADAMS. I think it was released July 3, 1918.

Senator PAGE. Will you be able to complete your testimony in 15 minutes?

Mr. ADAMS. I think so.

Senator PAGE. Some of us would like to get away to be in attendance on the Senate at 12 o'clock, Senator.

Senator NORRIS. All right.

Mr. ADAMS. The fourth recommendations of the Federal Trade Commission reads as follows:

That the Federal Government acquire such of the branch houses, cold-storage plants, and warehouses as are necessary to provide facilities for the competitive marketing and storage of food products in the principal centers of distribution and consumption. The same to be operated by the Government as public markets and storage places under such conditions as will afford an outlet to all manufacturers and handlers of food products on equal terms. Supplementing the marketing and storage facilities thus acquired, the Federal Government establish, through the Railroad Administration, at terminals of all principal points of distribution and consumption, central wholesale markets, and storage plants, with facilities open to all on payment of just and fair charges.

As I have read the Kendrick bill and the Kenyon bill, neither one of those bills embrace that recommendation, neither would permit the establishment of wholesale public markets open to all food dealers.

Senator KENYON. You say they would not permit it?

Mr. ADAMS. No; it would not be permitted under either of the bills; in other words, the bills do not provide for the establishment of wholesale public markets.

Senator GRONNA. Who was to own these public places?

Mr. ADAMS. The Government.

Senator FRANCE. In other words, Professor, you are a professor of economics?

Mr. ADAMS. Yes.

Senator FRANCE. And you are aware that the Federal Government is a Government of enumerated powers?

Mr. ADAMS. Yes.

Senator FRANCE. Under what provisions of the Constitution do you think the Federal Government would have the right to enter into the meat business and compete with private citizens, not only packers, you understand, but farmers who may kill their own meat. I would like you to refer me to the clauses of the Constitution which authorize the Republic to go into the butcher business and into the meat business.

Mr. ADAMS. I am glad you asked that question, because the recommendation does not say that. The recommendation simply says that the Government acquire the branch houses and construct the wholesale public markets, not that the Government will buy the meat and sell it, but that it provide these facilities for those individuals who to buy and sell the meat, not only meat but poultry, eggs, cheese, butter, and all other food products.

Senator FRANCE. Yes; very well. Now, what clause of the Constitution, it being a Government of enumerated powers, would authorize the Government to own a meat shop, if it did not sell meat?

Mr. ADAMS. Just the building.

Senator FRANCE. It can own the building?

Mr. ADAMS. Yes.

Senator FRANCE. And own the meat-market building?

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Mr. ADAMS. Own the stockyards—I did not read that recommendation; this is a different recommendation.

Senator PAGE. But you do recommend that they own the stockyards?

Mr. ADAMS. I do recommend that the Government acquire the stockyards; and that, in addition, the Government acquire all branch houses which ought to be wholesale public markets, so that all food dealers, not only the sellers of meat, but the sellers of groceries, the sellers of poultry and eggs and cheese could carry on their business in these markets.

Now, the Federal Trade Commission found that the big five packers not only slaughter 70 per cent of the animals which are slaughtered by the packers engaged in interstate commerce, but that they also control 65 per cent of the interstate poultry and egg trade of the United States; that the packers control 80 per cent of the cheese business of Wisconsin, which, of course, is the cheese-producing State of the Union, and that the packers are now rapidly increasing their grocery business. It is estimated that the percentages vary in different sections. I believe the Commission has an estimate of its own, but the testimony of Mr. Culver before the Interstate Commerce Committee of the House, just recently, showed that the Commission has evidence that the packers control a very large percentage of the grocery business in the United States, and that they are rapidly increasing that business; that they are fast becoming a food monopoly.

In my opinion a bill which would affect only their meat business, which after all, certainly is not more than 75 per cent of the total business of the big five, would not break the increasing food monopoly of the big five packing companies in the United States. I do not see how it would greatly affect the growing monopoly in the produce and grocery business, and I believe that by the establishment of public markets, putting all dealers on the same basis, giving them all the same or equal facilities, that the monopoly will be broken.

Senator FRANCE. You have made an examination of these figures, professor?

Mr. ADAMS. Yes.

Senator FRANCE. Showing that a monopoly is being established by the meat packers?

Mr. ADAMS. Yes.

Senator FRANCE. Of course, you know that we have a law known as the Sherman Law?

Mr. ADAMS. Yes, I have heard of that law.

Senator FRANCE. And that we also have a Department of Justice, or did have—we have one nominally, whether we have one in reality now or not.

Mr. ADAMS. Yes.

Senator FRANCE. And that the function of that Department of Justice is to enforce the constitutional laws of the United States; and being aware of that fact, have you taken these figures to the Department of Justice or to any prosecuting attorney of the United States?

Mr. ADAMS. Why, yes, they are in the hands of prosecuting attorneys. The Federal Trade Commission turned over the 'data. But, Senator—

Senator FRANCE (interposing). And the difficulty is that the Department of Justice is not performing its function?

Mr. ADAMS. Oh, I would not say that.

Senator FRANCE. Is not that the inevitable conclusion, that the Department of Justice—

Mr. ADAMS (interposing). It is not.

Senator FRANCE (continuing). Is not performing its function if it is allowing a great monopoly to grow, and grow, and grow in restraint of trade, extorting from those who sell to it, extorting from those who buy from it—is not that conclusion inevitable that the Department of Justice is not performing its functions?

Mr. ADAMS. It is not, to me; it may be to you.

Senator FRANCE. Well, then, will you explain the situation.

Mr. ADAMS. Yes, I will be glad to. It is my own personal opinion—Mr. Heney said the other day in his testimony—

Senator GRONNA (interposing). Just a moment. The Chair called me to account for asking an opinion. I do not want to object, but I just simply want to remind the chairman of his rulings.

Senator NORRIS. The Chair did not do that. But the witness is not to blame. Are you objecting to Senator France's question?

Senator GRONNA. I am not objecting, except the Chair is objecting.

Senator NORRIS. The Chair is not objecting.

Senator FRANCE. I was commenting on his testimony. It is very clear that as a citizen of this Republic you should call these facts to the attention of the Department of Justice, and I hope you will do so, or I fear we will not get any results.

Mr. ADAMS. The Federal Trade Commission has already done so. In answer to that question, I do not believe that it is possible to cure an economic evil with a lawsuit. You may convict—and the so-called trusts have been convicted—but, economically I have seen little result from those convictions.

Senator FRANCE. Professor, you say that you do not believe that you can cure an economic evil with a lawsuit?

Mr. ADAMS. Yes.

Senator FRANCE. But you can cure it with a law?

Mr. ADAMS. I believe so, yes.

Senator FRANCE. I see.

Mr. ADAMS. I think we need a law to cure this one, and that is what I was advocating.

Senator GRONNA. If I may ask a question, I do not think I understand the paragraph you read. I have not given it enough attention. I do not think I fully understand your position. Is it your idea that the Government shall not go into the business, but simply establish the plants?

Mr. ADAMS. Simply establish the plants, furnish the facilities, that is the idea. This was the Federal Trade Commission's recommendation which I read; it was not a statement of my own.

Senator GRONNA. Then the packers and everybody else would have the same opportunity to go in there and establish a business?

Mr. ADAMS. Yes, dealers of fruits and vegetables and dealers in every business would have the cold storage facilities and the marketing facilities furnished by the Government, all in the wholesale market. I could go on and show you the economy in establishing such a market.

Senator GRONNA. I just wanted to have the matter so I understood it. That would, of course, mean the same thing as Government regulation and supervision, would it not?

Mr. ADAMS. Yes. I think the license provision should be in whatever bill is passed.

Senator GRONNA. You mean an absolute Governmental control, but not the investment?

Mr. ADAMS. Not actually carrying on of the business, of buying and selling, but furnishing the facilities for those who do carry on the business and regulating the business.

Senator GRONNA. Let me ask you this: Is it not true that during the last year at least, and so far as the meat industry and so far as the grain industry and the poultry industry are concerned, we have had absolute and complete Governmental regulation and control?

Mr. ADAMS. You mean by the Food Administration recently?

Senator GRONNA. Well, by the Government.

Mr. ADAMS. Yes; you have had regulation and control. And just in that connection I would like to state that it is my opinion, after investigating the field that many of the regulations of the Food Administration were very, very valuable and should be continued in time of peace, especially the regulation in regard to the inspection of account sales rendered by different food dealers, and the inspection of the goods, and the determination of the grade by Government officials—that is the condition of the goods as they arrive; these regulations have been very beneficial in the trade, and it is the opinion of many of those engaged in the trade that it would be a good thing to continue them.

Senator GRONNA. Did you see the testimony of Mr. Heney as to the profits the meat industry had made and also the poultry industry had made?

Mr. ADAMS. Yes, I heard part of his testimony.

Senator GRONNA. That would go to show that never in the history of this country have those packers made as much profit as they

have made during the time they have been under the control of the Federal Government?

Senator FRANCE. Under Mr. Hoover?

Senator GRONNA. Also the Government, because Mr. Hoover—

Senator FRANCE (interposing). Well, directly under Mr. Hoover?

Senator GRONNA. It is Government control?

Mr. ADAMS. Yes. In that connection I think the difficulty was in the kind of regulation which the Food Administration adopted in reference to the packers. I would not want to go into a long technical discussion of the regulations, but certainly under them there was little opportunity to hold the packers down to a reasonable profit. Under the rules they divided the business into class 1—essentially the meat business or animal business—where they allowed the packers 9 per cent profit on investment; and a second class, where they allowed them 15 per cent; and then a third class, where there was no regulation—I do not think that such regulations were any good. I think that was the difficulty.

Senator GRONNA. Do you think it would be possible to get a stronger control than the one which we had during the war, making just one corporation which controlled the purchases of the entire country, both in the United States and that of the allies; do you think a bill could be enacted into law that would help establish a stronger control than that?

Mr. ADAMS. I would not advocate the solution of this problem by Government regulation as the cure-all by any means. I think what we need is the opening up of the channels of trade and giving other fellows a chance to come into the business, and the profits would thereby be decreased by competition.

Senator FRANCE. You say then that this arrangement entered into between Mr. Hoover, as head of the Food Administration and the packers, did not relieve the situation; and therefore, to that extent, it was not an equitable nor a proper one?

Mr. ADAMS. Yes.

Senator FRANCE. Well, we have other instances of that, which we will bring out later on in connection with other investigations as to improper arrangements which were entered into.

Mr. ADAMS. I do not know anything about what you will bring out.

Senator FRANCE. Well, I state that at this time; that is quite pertinent.

Senator GRONNA. At any rate, Mr. Adams, this work would have to be done by some mortal man, some human being?

Mr. ADAMS. Yes, certainly.

Senator GRONNA. And we do know, or at least some of us believe—I believe for one—that the administration of Mr. Hoover, and the way the meat industry has been handled in this country under Mr. Cotton—I know so far as I am concerned that it has been detrimental to the country, both to the consumers and the producers. I know, further, that the administration with reference to the grain industry, where they had an absolute control and had it in their power to make, although Congress enacted a law fixing a minimum, they made that minimum the maximum; and at the same time there never was in the history of the country paid higher prices for bread than during

that administration. I know that. And this man who was appointed to handle the grain of the country is a man who has been engaged in the grain industry, and was himself an exporter, and Mr. Hoover knew that, because I called it to attention on the floor of the Senate.

The reason I bring this out is because you have taken the position that Congress ought to enact these laws.

This is my question: Who is to carry on this work, and how can the relief be given the public?

Mr. ADAMS. It is my private opinion that the work should be carried on by a commission, and not by one man; and it is my opinion that the commission should be specified in the law, that is, the law should specify that it shall be a commission.

Senator FRANCE. You think, then, that to specify it in the law would give us better results than to have the President specify; that is a clear inference, because you say that the appointment of Mr. Hoover resulted in a deal which was inequitable, and that now, in your opinion, the man to administer it should be named in the law. The conclusion is inevitable that you think the legislative department is more competent in view of the facts recited than the Executive Department, to name the man to administer these affairs?

Mr. ADAMS. I did not say "name the man"; I said name a commission, specify that it shall be a commission.

Senator FRANCE. To name a commission?

Mr. ADAMS. Just specify that it shall be a commission, appointed by the President, with the consent of the Senate, or appointed by the President.

Senator FRANCE. You feel that so far as the Executive naming is concerned that that has been proven to be a failure, as instanced in the case of Mr. Hoover?

Mr. ADAMS. I do not say to whom I referred.

Mr. FRANCE. But you are on record to that effect.

Mr. ADAMS. I am not stating the broad question at all. We are talking about this particular proposition, and you are trying to generalize the question, and I do not entirely agree with you on that. However, it has nothing to do with this particular proposition.

Senator FRANCE. It has a very great deal to do with it, because as you said that the appointment by the Executive was not satisfactory, but the appointment by the legislative body of a commission would be. That is all.

Senator NORRIS. All right, doctor; were you through?

Mr. ADAMS. Yes; I am through.

Senator NORRIS. Then, the committee will take a recess until 2 o'clock.

(Thereupon, at 11.55 o'clock a. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

(The committee reassembled at 2 o'clock p. m., pursuant to recess.)

Senator NORRIS. Mr. Chase, state your name, residence and occupation to the reporter.

**STATEMENT OF STUART CHASE, CERTIFIED PUBLIC ACCOUNTANT,
1648 EAST FIFTY-FOURTH STREET, CHICAGO, ILL.**

Mr. CHASE. My name is Stuart Chase, certified public accountant, 1648 East Fifty-Fourth Street, Chicago, Ill.

Senator NORRIS. Are you in the employ of the Federal Trade Commission?

Mr. CHASE. I am.

Senator NORRIS. How long have you been an expert accountant? How long have you been at the business?

Mr. CHASE. Since September, 1910.

Senator NORRIS. How old are you?

Mr. CHASE. Thirty.

Senator NORRIS. As such accountant, were you called upon by the Federal Trade Commission to make an examination of the packers' books?

Mr. CHASE. I was.

Senator NORRIS. When was that?

Mr. CHASE. That was in September, 1917.

Senator NORRIS. That was while this investigation was on?

Mr. CHASE. Yes.

Senator NORRIS. How long did you work on their books and what did you do?

Mr. CHASE. I was put in charge of the investigation of costs at Armour & Co.; and that work lasted for two months, until about the first of November, at which time I was called to Washington and wrote a report on packers' costs; discussed the matter with the Federal Trade people, and then at the instance of Mr. Dana Durand and Mr. Cotton I was transferred from the Federal Trade Commission to the Food Administration, to take charge of the accounts that the packers were to render the Food Administration profit regulation. I remained with the Food Administration until the fifteenth of May, 1918, at which time the Food Administration, having made an arrangement with the Federal Trade Commission that the Commission should take over the certification and the inspection of the packers' accounts transferred me back to the Federal Trade Commission.

Senator NORRIS. And you are there now?

Mr. CHASE. I am still in their employ.

Senator NORRIS. I wish you would tell the committee what you found in regard to the profits of the packers. Take Swift & Co. for instance, first.

Mr. CHASE. I recently prepared for the commission a statement of packers' profits for the entire business for the years 1912 through 1917.

Senator NORRIS. That is the calendar year?

Mr. CHASE. That is their fiscal year.

Senator NORRIS. When does that commence?

Mr. CHASE. Well, that commences about the first of November.

Senator NORRIS. You mean then, commencing November 1, 1917?

Mr. CHASE. Yes.

Senator NORRIS. Or 1916?

Mr. CHASE. That would be ending November 1, 1917.

Senator NORRIS. And commencing in 1916?

Mr. CHASE. November 1, 1916, yes.

Senator NORRIS. And up to and including the first year ending November 1, 1917—that is the last?

Mr. CHASE. Yes. The packers are just reporting their results for 1918.

Senator NORRIS. Now tell the committee what the profits were.

Mr. CHASE. Well, I first ought to preface any statement that I make of profits as an accountant by the fact that neither myself nor the packers, nor anybody else, knows accurately what the packers' profits are.

Senator NORRIS. Why?

Mr. CHASE. Because of a great number of reasons, of which the most important are their methods of taking inventories and their methods of handling subsidiary company profits. Those are the outstanding difficulties that are encountered. And in addition, we find such matters as excessive or deficient depreciation charges; items that properly should be capital expenditures are charged against profit and loss. And many other things that I could go into at some length if you desire. But this matter of inventories—

Senator NORRIS (interposing). Well, does that method have a tendency to cover up the profits? Is that the effect of it?

Mr. CHASE. That is the effect of it, yes; whether it is done consciously in every case I could not affirm for a minute. There are certain inherent difficulties in packers' accounting that make it impossible for the packers themselves always to accurately determine their profits. But they can do a great deal better than they have been doing, in my judgment.

Senator NORRIS. Well, take the one item of charging up to expense accounts something that should be capital account. What is the effect of that?

Mr. CHASE. Why, of course the effect of that is to decrease the true statement of profits in that particular year.

Senator NORRIS. In other words, it covers up some of their profits?

Mr. CHASE. It covers up their profits, yes.

Senator NORRIS. All right, go ahead with your statement.

Mr. CHASE. Now taking the five companies combined, their published figures, as amended by such analysis as the Commission has made—which is by no means a complete analysis, and the Commission does not certify in any way to these figures; it simply believes them to be a more accurate statement of profit than as published by the packers—we find that the total for the five companies in 1912 was \$18,715,000; in 1913, \$20,217,000; in 1914, \$22,108,000; in 1915, \$40,052,000; in 1916, \$60,759,00; in 1917, \$95,639,000.

Senator NORRIS. You don't have them for 1918. Did you give any part of the year 1918?

Mr. CHASE. No part at all; no.

Senator NORRIS. Now the profits since the Food Administration has had control of the packers have been greater than they ever were before, have they not?

Mr. CHASE. That I could not say.

Senator NORRIS. Do you know when the Food Administration took charge?

Mr. CHASE. Yes, November 1, 1917. The packers' profits as reported by them are rather less than in the year 1917, but as we have not made any careful audit for the year 1918, books having just been closed within the last few days, I could not give you any statement as to what we really believe the profits for 1918 to be.

Senator NORRIS. You haven't made any examination, then, since the Food Administration took charge?

Mr. CHASE. I have made a series of test examinations on specific items, but no comprehensive examination of profits as a whole.

Senator NORRIS. What do those tests show, that you took, if they show anything?

Mr. CHASE. Well, they show a great many things. For instance, the Food Administration regulations provided that the inventories of the packers should be at market, full and fair market, and on November 1, 1917, Swift & Co. raised all their inventories to comply with the Food Administration regulations, but the other packers, with the possible exception of Morris & Co., did not do so. They continued to take their inventories at market, or at cost, and the result was that the packers started the year on a different basis. Here was Swift with his inventories way up; Morris with his inventories part way up, and the other three back on the old basis, contrary to the regulations of the Food Administration. But when it came to the end of the first accounting period on January 1, 1918, or thereabouts, Swift & Co. dropped back to their old method of cost and market; the others dropped still lower, and the result was that the first periods' profits came out very low, and before any comprehensive or accurate statement can be made as to packers' profits for the year 1918, that inventory situation has got to be straightened out.

Subsequently the Food Administration amended its regulations so as to provide that the packers might inventory at market or at cost where they had costs; and that of course ruled out Swift's original inventory, which had the interesting effect of throwing into the month of October—that is, the month before the regulation went into effect—about \$11,000,000 profit which under the amended regulations was really a part of 1918 profits. Swift thereby kept out perhaps four or five million dollars of profits—threw it back into the old year, which really belonged in the new year. Of course Swift & Co. can not be blamed for following the regulations of the Food Administration on November 1, but it is rather dark as to why, having started off in such an exemplary fashion, they dropped back to their old method at the end of the first accounting period.

That was one part of our examination—inventories—and the more we go into inventories the more dubious the whole situation becomes. The packers have said all along that their inventories were at cost, wherever they could get cost, and at market where they could not secure cost; but we find by analyzing those departments where costs rule, that these costs are from the accounting point of view not dependable. For instance, Armour & Co. reported that their glue department inventories were founded on cost, and when we came to investigate Armour's glue department we found that back in 1907 certain costs per pound of various grades of glue had been determined, and that those 1907 costs had been used ever since in mak-

ing up their inventories. Of course, as a matter of fact, true costs had increased sharply, and Armour & Co. had been calculating their costs for memorandum purposes, and we took those memorandums that they had accumulated, of their glue costs, and applied them to the year 1918, and we found that it made a difference of about \$300,000 in that one department alone. That is, by using their old 1907 costs they had—I won't say covered up, but they had eliminated from their total profits \$300,000 that under a proper cost system should appear in that year.

Senator NORRIS. For glue?

Mr. CHASE. For glue alone. And we find that Cudahy is including selling and administrative items with their costs. From the accounting point of view, costs for inventory purposes should be cut off with the manufacturing expenses. Selling expenses are something that are on beyond, and the administrative expenses are largely on beyond. But Cudahy includes all three of these items in their inventory cost.

And we found considerable difficulty in getting at the true costs of Swift's glue. That department was pointed out to us as the best cost department that Swift had, but my assistant, Mr. Tater, has just been examining inventory costs there, and finds them in a very sad state indeed. So much for inventories at cost.

When we get on to those departments which are inventoried at market, we find that a great many of the products have no ascertainable market against which any governmental or outside reviewing body can measure the accuracy of the prices taken for inventory purposes. In other products, the packers, through their great system, more or less dominate the market and can make it what they chose while for the remaining products there is an outside market that can be used to check the prices that they use. But their practice is to deduct from that market price certain items for carrying costs and so on, which are very difficult to certify to. And in fact, the whole inventory situation may be summed up, so far as these market prices are concerned, by the remark of Mr. Chaplin, of Swift & Co., their chief accountant—a very able man, who probably knows more about packers' accounting than any one else in the country, and after a long conference in which we had been trying to get at the bottom of this situation, he finally came out rather impatiently and said, "We get our inventory prices out of our own heads."

Now that is probably true. The various managers of the departments and various officials set the prices of these market departments according to their own judgment, and that judgment is the basis of many years experience, and while it may be sound judgment—particularly from the packers' point of view—it precludes any governmental investigating body from certifying to the accuracy of the market inventories, excepting to a very limited degree; and as these inventories are enormous, and as their effect on profits is profound, you can see immediately how difficult it is to determine accurately what packers' profits are, and how easy it is for the packers by exerting their own individual judgment, "out of their heads," to transform a large profit into a smaller profit, or even into a positive loss, without serious chance of discovery.

Senator NORRIS. Do you know anything about the different classes of business upon which certain profits were allowed by the Food Administration to the packers?

Mr. CHASE. Yes, sir.

Senator NORRIS. Well, can you tell us whether under their system of bookkeeping it was possible for them to transfer what should be a profit in one of those classes to another?

Mr. CHASE. Oh, very easily, and practically impossible to detect.

Senator NORRIS. For instance, they were allowed to make 9 per cent on one class of business, 15 per cent on another, and then on another class there was no limit.

Mr. CHASE. No limit.

Senator NORRIS. Well, were they able to hold the profit down to 9 per cent on one, 15 per cent on the other and manipulate the items and the business in such a way that the profits would go into the class where there was no limit?

Mr. CHASE. It would be very easy to do so, and almost impossible to detect. We have found in our examination a number of instances where the transfer of prices from class one to class two seemed to us to be unduly low. I remember Morris & Co. in their first period transferred their native cattle hides from their hide department, which is in class one, to their leather department, which is in class two, at a figure about four cents under what the other packers apparently were transferring at.

Senator NORRIS. That would enable them to make 15 per cent instead of 9?

Mr. CHASE. Yes, sir.

Senator NORRIS. If they were transferred on some basis that was not the real value, it would increase it still more, would it, or would it not?

Mr. CHASE. Well, of course the lower the transfer price used in class one, the less the credit in class one and the less the profit in class one, and the more the profit in class two.

Senator NORRIS. If they were transferred at a low price it would increase the profit they could make off of it in the class to which it was transferred?

Mr. CHASE. Yes.

Senator NORRIS. Could you tell from your examination, and do you know, to what extent this was carried on?

Mr. CHASE. I could not say. We have been, largely during my absence from Chicago, making an examination of transfer prices on about 20 standard products that went from class one to classes two and three; and the final results of that study I have not seen as yet, but I saw the start of it and there were some quite surprising variations between the several packers in the transfer prices used.

Senator NORRIS. Now these profits, I wish you would give them, if you can, showing the profit of each one of the five big packers instead of in gross. Have you got it analyzed so you can do that?

Mr. CHASE. You could have a copy of this, if you want it [indicating paper].

Senator NORRIS. If you can read it, then give the reporter a copy, if you have it tabulated.

Mr. CHASE. I also have it by the index of growth, taking the year 1912 as 100.

Senator NORRIS. Go over it in each way that you have it.

Mr. CHASE. Here is Armour & Co. I also show the profit for the fiscal year 1904 for Armour, because the Bureau of Corporations at that time made a report in which it exhibited the figures. Armour & Co., 1904, \$1,850,000; 1912, \$5,702,000; 1913, \$6,158,000; 1914, \$7,640,000; 1915, \$11,156,000; 1916, \$22,849,000; 1917, \$27,137,000.

Senator NORRIS. Now can you give the per cent of profit each time as you go along, or have you that differently?

Mr. CHASE. The per cent of increase?

Senator NORRIS. No, not of increase, but the per cent of profit, the dividend that could be declared, or was declared. Of course, the amount of profit without their capital stock and so forth would not give us very much information.

Mr. CHASE. Well, the fairest way probably to show that is the per cent on their net worth, that is, the capital and surplus.

Senator NORRIS. Yes, could you put that in as you go along in giving the gross profits?

Mr. CHASE. I think so.

Senator NORRIS. I wish you would do that.

Mr. CHASE. I haven't it for 1904, but I have it for—

Senator NORRIS (interposing). That is Armour & Company you are speaking of now?

Mr. CHASE. Yes. Here is Armour in 1912, 6 per cent on the net worth; 1913, 6.1 per cent; 1914, 7.3 per cent; 1915, 10.2 per cent; 1916, 19.2 per cent; 1917, 19.8 per cent.

The pre-war average, that is for the years 1912, 1913, and 1914, is 6.5 per cent; and the "war" average, that is for the years 1915, 1916, and 1917, is 16.7 per cent.

Senator NORRIS. You mean 16 per cent?

Mr. CHASE. Yes, the average for the three war years.

Senator GRONNA. In other words, it is 10 per cent higher during the war than before the war?

Mr. CHASE. No, 10 per cent additional—over 250 per cent higher.

Senator GRONNA. What is that percentage based upon?

Mr. CHASE. That is on their net worth, capital stock and surplus.

Senator GRONNA. Capital stock and surplus. Are any bonds taken into consideration there?

Mr. CHASE. No.

Senator GRONNA. Just capital stock and surplus?

Mr. CHASE. Yes.

Senator GRONNA. The same as a bank would make a statement with reference to its percentage. Of course there is such a difference in making these returns that many people who are not familiar with accounts do not understand that. I will take it that our chairman is familiar with it, but I find a good many of the lawyers who are not expert accountants—I don't claim to be one myself, but I do know something about making returns for banking institutions, as I own two small banking institutions myself, and the bankers, of course, when they pay a percentage they pay a percentage upon the stock alone, not upon surplus. Now, do the packing concerns, in figuring their percentage, do they take surplus into consideration?

Mr. CHASE. They declare dividend on the stock, of course.

Senator GRONNA. Just the stock?

Senator NORRIS. This is not the packers' reports; this man is from the Trade Commission.

Senator GRONNA. I understand that, Mr. Chairman; but I want to know what he has based it upon; whether it is upon the stock or upon stock and surplus.

Senator NORRIS. Upon stock and surplus, I think he said.

Mr. CHASE. Upon stock and surplus.

Senator NORRIS. Now take up the other packers and go through the other way. You can put the percentage in, all at once.

Senator GRONNA. Now I want to have that clear in my mind. That is important. Is it upon stock and surplus, or upon the stock?

Mr. CHASE. Upon stock and surplus. "Net worth" is the accounting idiom for that total.

Senator NORRIS. Then the percentage they make is a great deal more than you have it in your figures, because they have a tremendous surplus?

Mr. CHASE. A tremendous surplus, yes. This really is the percentage of profit upon the stockholders' equity.

Senator GRONNA. Well, take a case now where the stock is \$100,000,000 and assume that the surplus is \$50,000,000; now the way a bank would figure that dividend or profit would be simply upon the stock, the \$100,000,000. We would never think of basing it upon the \$150,000,000. Of course if you make it upon the \$150,000,000, the dividend or the profit necessarily would be much smaller.

Mr. CHASE. Yes. The reason that we select the figure of net worth is because it is the only way that you can compare the five packers with any fairness to themselves, or any one else, because if you figured the percentage on the stock alone, the fact that some of them have issued stock dividends and capitalized their surplus, and others have not, would give you tremendous percentage in some cases on the capital stock, and much lower percentages in other cases; and you could not really get any sound basis of comparison. But I can read, Mr. Chairman, at the same time the percentages on their capital stock, which I have here.

Senator NORRIS. I wish you would.

Mr. CHASE. Which show the very reason why I don't consider this method the soundest by and large.

Armour & Co., 1912, 28.5 per cent. This is on their capital stock.

Senator NORRIS. That would be their dividend, or what they could declare as dividend.

Mr. CHASE. That is what they could declare, 1913, 30.8 per cent; 1914, 38.2 per cent; 1915, 55.8 per cent; 1916, 114.2 per cent; 1917, 27.1 per cent.

Now you see by examining that alone you would be led to believe that they made a tremendous profit in 1916 and fallen off sharply in 1917, but the fact of the matter is that on the net worth basis they had a higher percentage in 1917 than they did in 1916, the answer being that Armour's capital stock in 1916 was \$20,000,000 and they issued a stock dividend of \$80,000,000; and by the time they got around to the next year you have to figure it on a \$100,000,000 basis.

Senator GRONNA. They increased their capital stock issue.

Mr. CHASE. Yes, but no cash was paid in, not a penny of cash.

Senator NORRIS. They did it by converting the surplus into capital stock?

Mr. CHASE. Yes, into capital stock.

Now we can take Swift & Co. I will read the actual money, the percentage on net worth, and then the percentage on capital stock. Swift & Co., 1904, \$3,850,000.

Senator NORRIS. Now name it as you go along. That is profit?

Mr. CHASE. Yes, profit, 1912, \$8,745,000; 1913, \$9,449,000; 1914, \$9,651,000; 1915, \$23,387,000; 1916, \$24,195,000; 1917, \$47,236,000.

Now the percentage on net worth for Swift was in 1912, 8.6 per cent; 1913, 8.7 per cent; 1914, 8.5 per cent; 1915, 19.8 per cent; 1916, 19.1 per cent; 1917, 33.4 per cent.

Their prewar average was 8.6 per cent. Their war average was 24.5 per cent.

They have pretty nearly trebled their rate in the war years over the prewar years.

Their percentage on capital stock was in 1912, 11.6 per cent; 1913, 12.6 per cent; 1914, 12.8 per cent; 1915, 31.2 per cent; 1916, 32.2 per cent; 1917, 63 per cent.

I think in the case of Swift there was also an increase in the capital stock. They went from \$75,000,000 to \$100,000,000 during that period. I think it was in 1916. That affects these last percentages, of course.

Senator GRONNA. But, at any rate, they made more profit during 1917 than they did in the years before?

Mr. CHASE. Oh yes, 1917 is the banner year in the packing industry. There never was such a year.

Now Morris & Co., their gross profit in dollars in 1912 was \$1,813,000; 1913, \$1,917,000; 1914, \$2,206,000; 1915, \$2,321,000; 1916, \$4,890,000; 1917, \$8,012,000.

Their profit on their net worth was, in 1912, 6.1 per cent; 1913, 6.9 per cent; 1914, 7.5 per cent; 1915, 7.5 per cent; 1916, 15 per cent; 1917, 22.6 per cent.

Their prewar average was 7.2. Their war average was 15.4.

Now on the rate on capital stock you will see some very amusing figures. In 1912 it was 60.4 per cent; in 1913, 63.9 per cent; 1914 73.5 per cent; 1915, 77.3 per cent; 1916, 163 per cent; 1917, 267.7 per cent.

You see, Morris never capitalized their surplus. They kept their old figures of \$3,000,000 through a great number of years without raising it.

Senator NORRIS. Well, it might be interesting there to know whether in the meantime they had declared dividends and actually paid them to their stockholders.

Mr. CHASE. Oh, yes.

Senator NORRIS. They had always declared dividends during all those years?

Mr. CHASE. Yes.

Senator NORRIS. So that, as a matter of fact, this increase in their capital stock came about not from money that they put in, but from profits in the business?

Mr. CHASE. That is the case of the other companies, but Morris did not increase their capital stock.

Senator NORRIS. I understand they did not.

Mr. CHASE. But their surplus piled up.

Senator NORRIS. But it is important to know whether that increase was a proper basis upon which to pay dividends. It is important to know whether there were dividends in the meantime paid to their stockholders. Of course their stockholders were entitled to at least a reasonable dividend. They were paid all the time?

Mr. CHASE. Oh, I am sure they got their reasonable dividend right along. I understand they did.

Senator NORRIS. And the surplus came out of the excess profits?

Mr. CHASE. Yes, which the American public paid for.

Senator NORRIS. Yes.

Mr. CHASE. Wilson & Co., in 1912 their profit in dollars was \$1,326,000; in 1913, \$1,364,000; in 1914, \$1,209,000; in 1915, \$2,464,000; in 1916, \$5,314,000; in 1917, \$8,319,000.

Their profit on their net worth was in 1912—we have not figured that because of the unreliability of Wilson & Co.'s profits in 1912 to 1915. They reported as I have read them to you, but subsequently a firm of accountants went over the books and revised them completely finding all kinds of errors. Those revised figures we did not see, and so we have not given the per cent of profit on the net worth for Wilson, excepting in the years 1916 and 1917. In 1916 the net worth was 14.5 per cent; 1917, 29.6 per cent. Which, on their capital stock, amounts to 7.9 per cent in 1916; and 27.6 per cent in 1917.

Now Cudahy in round dollars, in 1904, \$928,000; 1912, \$1,129,000; 1913, \$1,329,000; 1914, \$1,402,000; 1915, \$724,000; 1916, \$3,511,000; 1917, \$4,935,000.

The profit on net worth for Cudahy in 1912 was 7.1; in 1913, 7.8; in 1914, 7.9; in 1915, 4 per cent; in 1916, 19.4 per cent; 1917, 23.2 per cent.

Their prewar average is 7.6 per cent, and their war average is 16 per cent.

Senator NORRIS. How do you account for that small profit there of 4 per cent in one of the war years?

Mr. CHASE. Well, I haven't any personal knowledge of it at all. It has been told to me by some of the other investigators that at that time Cudahy had come to some misunderstanding with the other packers.

Senator NORRIS. What year was that?

Mr. CHASE. That was in 1915.

Cudahy's profits on their capital stock were, in 1912, 9.4 per cent; in 1913, 11.1 per cent; 1914, 11 per cent; 1915, 6 per cent; 1916, 29.2 per cent; in 1917, 35.2 per cent.

That completes the list. But I want to say again, as I said before, that I can not in any way certify to these figures, but simply believe them to be more accurate than the profits as reported by the packers themselves.

Senator NORRIS. Well, they are the figures that you believe to be as near correct as you can reach a conclusion, are they?

Mr. CHASE. Yes, so far as our analysis has extended. You see the packers have a way in reporting their profits to the public through advertisements and annual statements and elsewhere, of deducting their reserves for excess profit taxes. Now the law in regard to excess profits is that such taxes shall be paid out of profits as determined. Therefore the true profit is the amount before making any

provision for these excess profits taxes. Swift & Co. in 1917 announced broadcast throughout the country—that their profits were \$34,000,000, but they had arbitrarily deducted from their true profits a reserve of \$10,000,000 to take care of excess profits taxes. Now properly, from an accounting, technical point of view, their real profit was \$44,000,000 at least. And all the packers do that. I have noticed that in their last annual statements they have followed the same procedure.

Senator NORRIS. Did you determine, or did you try to, and if you did try did you determine or find out any evidence in regard to the expenses of those various institutions? For instance, can you tell us the salaries of the officials of the various packing institutions?

Mr. CHASE. I have those in my office at Chicago. I only remember one or two of them.

Senator NORRIS. Tell us those you remember.

Mr. CHASE. Well, Mr. Thomas M. Wilson receives \$125,000.

Senator GRONNA. A year?

Mr. CHASE. Yes. And Mr. Valentine, of Armour & Co., receives \$50,000, with \$35,000 bonus, making \$85,000. I think Mr. White, vice president of Armour & Co., receives the same figure. Young Mr. Morris, president of Morris & Co., receives \$50,000 and then \$25,000 more as president of one of the stock yard companies, making \$75,000. And, as I say, we have the whole list in Chicago.

Senator MORRIS. Do you know what Mr. Swift gets?

Mr. CHASE. No, I don't remember. I think that so far as their books show, they are rather nominal salaries—\$25,000 or \$50,000—not over that.

Senator NORRIS. Is \$50,000 salary nominal?

Mr. CHASE. Why, in comparison with Mr. Wilson's salary I should say it was nominal.

Senator NORRIS. Well, do you know what they expended in the way of expenses for looking after legislation in various places, if they spent anything?

Mr. CHASE. I believe the Commission has the facts in regard to these. I remember during my own work on the books of Armour & Co., finding an account which—I had to do with legal fees, for attorneys in a number of States in the Union—the capital cities of those states. The item as it appeared on the ledger was, "services introducing bills," watching the legislature, and so forth. Those items were not large. They ran from \$500 to \$1,500. I don't suppose the whole account amounted to more than \$50,000. But that was only a very small item of their legislative outgo.

Senator NORRIS. Do you know anything—for instance, Mr. Veeder, who seemed to be looking after the interests of all the packers, do you know what he got?

Mr. CHASE. I haven't any idea. I don't think the salary was reported by Swift & Company on our salary schedules. I think the Commission has some figures as to his total office expense.

Senator NORRIS. You don't know what this is?

Mr. CHASE. No, I do not.

(Mr. Chase submitted the following tables:)

Senator NORRIS. Now, Mr. Chase, is there anything else that you think of that would throw any light on this investigation that the committee is making?

Mr. CHASE. Of course, I don't feel that the profit regulation of the Food Administration has amounted to anything, so far as regulating the packers' profit is concerned. At the time that I took charge of those records and accounts under Mr. Cotton I made a report to Mr. Cotton soon after the packers had sent in their first period returns for the months of November and December, 1917, and in that report I made some estimates—which since have been substantiated by the final year's results—that the packers were being allowed to make on their whole business, under the Food Administration regulation, as much as they had made in the year 1917, which was the most profitable year in their entire history. Now it may be that the regulation prevented them from making more than that which they made in the most profitable year in their entire history, but it certainly did not operate to reduce the profit in any way, and I do not feel that this regulation as it has been carried out by the Food Administration has helped the public or the consumer. Perhaps rather the contrary because the packers have announced publicly that they were being regulated, which I suppose tended to satisfy the public that profits actually were cut down.

Now, in justice it must be said that the packers have not equaled—or they don't appear to have equaled, their profit allowance, but from the standpoint of the profit allowed the regulation was nothing more than a comedy, in my estimation.

Senator NORRIS. As I understand you, the regulation of the Food Administration, allowing them a certain profit on different classes of business, in reality did not amount to anything?

Mr. CHASE. That is what I should conclude, yes.

Senator NORRIS. In other words, that as far as those regulations were concerned, their profit was unlimited?

Mr. CHASE. No; it was not unlimited, but it was way up to the most they had ever made in their previous history?

Senator GRONNA. Wasn't it more than that? According to Mr. Cotton's own statement before this committee he said that the packers—he allowed the packers to make a profit—or rather to include their borrowed money as well as capital stock. Now, did the packers do that before the Food Administration took charge of it?

Mr. CHASE. Well, that was simply for the purpose of determining a rate upon which to base the 9 per cent—that is, the 9 per cent on the capital stock, plus surplus, plus borrowed money.

Senator GRONNA. Plus bonds?

Mr. CHASE. Yes; plus bonds.

Senator GRONNA. Plus everything?

Mr. CHASE. Plus everything but accounts payable.

Senator GRONNA. Well, wouldn't that permit them to make more money than, in fact, what the chairman has stated, an unlimited amount?

Mr. CHASE. Well, it allowed them to make a good deal more than 9 per cent on their own money, and a great deal more than 9 per cent on capital stock.

Senator GRONNA. They might borrow a good deal more than their capital stock, and the more money they could borrow the more money they could make?

Mr. CHASE. Yes; and in that connection, the statement made by one of the officials of the Food Administration, is rather interesting.

He told my assistant, Mr. Tator, at the time these regulations were under consideration that they were going to base this percentage—to include borrowed money, because the public effect, would be to make the rate appear lower.

Senator NORRIS. What member of the Food Administration was that?

Mr. CHASE. I think it was Mr. Durand. Mr. Tator would have to tell you about that.

Senator GRONNA. The figures you have given the committee with reference to profits, are they net or are they gross?

Mr. CHASE. They are net profits.

Senator GRONNA. And from the figures you have given us here this afternoon, it indicates that during the war period and during these regulations the packers have made more money than they did before the war, with the exception of that one year, 1915, the Cudahy Co.?

Senator NORRIS. Yes; and that only applied to one packer.

Senator GRONNA. Yes.

Mr. CHASE. Taking the total, I think you might summarize it by saying they made three times as much on their net worth during the war years as they made before the war.

Senator NORRIS. And if you would figure it on their actual capital stock, it was a good deal more than that.

Mr. CHASE. Well, we can't tell, because of these new issues that have come in all the time.

Senator NORRIS. We will adjourn until 10 o'clock tomorrow morning.

(Whereupon, at 3 o'clock p. m., the committee adjourned until 10 o'clock a. m., Saturday, January 18, 1919.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

SATURDAY, JANUARY 18, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The Committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Hon. Thomas P. Gore presiding.

Present: Senators Gore, Smith of South Carolina, Page, Gronna, Norris, Kenyon, and France.

The CHAIRMAN. You can proceed, Mr. Heney.

STATEMENT OF HON. FRANCIS J. HENEY—Resumed.

Mr. HENEY. I was asked the other day about lobbyists or representatives of the packers, and I said I could not remember who represented Swift & Co., here. I have before me a letter which was taken from Swift & Co.'s files which relates to that subject, which is written by Henry Veeder, who is their general counsel, to G. F. Swift, jr., Esq., Swift & Co., Chicago:

DECEMBER 7, 1917.

WASHINGTON, D. C., PROPOSED LOCAL OFFICE.

G. F. SWIFT, JR., ESQ.,

Swift & Co., Chicago.

DEAR SIR: I have your letter of the 14th inst., and in reply would say that Swift & Co. has an office in Washington in charge of Mr. Charles A. Hamilton. Hamilton is an old Washington resident, who has a wide acquaintance with places and people in Washington, and he has been and will continue to be valuable to Swift & Co., on this account. However, he is a man who has very little personal influence, and he does not receive any great amount of personal consideration in Washington.

It has seemed to me for some months that the increased importance of Swift & Co.'s business with the governmental departments in Washington, due to the war, would warrant the placing of a Swift & Co. man—of good appearance and good ability—in Washington. With the assistance of Mr. Hamilton, such a man could quickly find his way around to the different departments in Washington and could transact with those departments Swift & Co.'s business. He could also collect and forward to us from our friends and acquaintances in Washington their information, frequently of a confidential character, which could not be transmitted through Hamilton. Such a man should have a knowledge of Swift & Co.'s business methods, should have a good appearance, and be a good mixer. I would prefer a lawyer who had an acquaintance with Swift & Co.'s business methods to a man who was strictly a business man, as I believe that such a man would be of more general value in the departments of Washington than a strictly business man.

McManus and I have talked this over and have in mind Mr. Shaw in Mr. McManus's department. Mr. Shaw was formerly in the credit department of Swift & Co.' and has recently had charge of the communications to Washington which have passed through the law department, so that he is probably as familiar with our requirements in Washington as anyone. He has a good

presence, and I believe he is a good mixer, and with Hamilton in the office, I believe he will soon acquire Hamilton's knowledge of places and people in Washington.

For your information, Libby, McNeill & Libby have found it necessary to place a man in Washington for the term of the war on account of their business relations with the departments of the Government. They have sent Mr. Bettcher, formerly the assistant to their general attorney, and he has taken up an office in Washington. They believe that Bettcher's time will be entirely occupied with their matters. I have suggested that Mr. Bettcher's office and Mr. Hamilton's office be consolidated, so that Mr. Bettcher can get the benefit of Mr. Hamilton's knowledge of places and men, and if Swift & Co. should place a man in Washington, I would suggest that the three occupy the same office or suite of offices, so as to collaborate together and both new men get the benefit of Mr. Hamilton's knowledge.

I understand that Mr. Wilson has installed a private wire in his new office, and I believe it would pay Swift & Co. to extend their private wire from Baltimore to this proposed office, and continue the same during the war,

Sincerely yours,

HENRY VEEDER.

Copy to R. C. M., who is R. C. McManus, another attorney for Swift & Co.; and R. S. H., who is Hayward, who is one of their officials.

Then I introduced at the public hearings of the Federal Trade Commission some letters which appear commencing on page 2911 of the record of those proceedings.

The first letter is dated Washington, D. C., May 5, 1917, and is on the head of John C. Eversman, 605 Riggs Building, Washington, D. C., is marked "Personal," and says:

MY DEAR MR. VEEDER: Fred Upham has explained the difficulty of getting the principals together, which, of course, I can appreciate. However, our friends here, whose backing and cooperation I can count on, are hoping that possibly things will come to a favorable head the forthcoming week. They are willing to help me organize the work so results will be produced, and they suggest that if I could get things under way while Congress is in session and formulate work as being done among the various war commissions it might prove advantageous. Perhaps this suggestion may appear to you and your associates.

That should be "appeal," I think.

I appreciate your kind interest in the matter and hesitate to trespass when I know you are so busy, but as my friends who know about the matter are anxious to bring it about, you will appreciate this letter.

With personal regards, I remain,

Very truly, yours,

JNO. C. EVERSMAN.

Another letter:

MR. HENRY VEEDER,

Fort Dearborn Building, Chicago.

This is a memorandum taken from Armour & Co.'s files, and it took my examiner over a week to get it, because Mr. Faulkner refused to first absolutely let a copy be taken, insisting that it was private business. I was equally insistent in getting it, and so we finally got it.

"Memorandum regarding new proposed Washington connections"—

This is a memorandum which was written by Eversman, who was secretary to Congressman McKinley, of Illinois.

The CHAIRMAN. Who was?

Mr. HENRY. Eversman, and was assistant secretary of the Republican national committee for some years, and this memorandum was written for consideration of Armour, Swift, Morris, Wilson, and Cudahy, who had under consideration a question of having him become their representative in Washington.

It reads as follows:

"Memorandum regarding proposed new Washington connections.

"The proposed new association with you gentlemen was suggested about the time your Chicago friend visited Washington last December. It grew out of a belief that the generous contributions which you had been making were not making out the way it was expected; that to a certain extent they were being wasted; that there existed no organized effort to improve the friendly attitude of national legislators to your industries and your principals, that a great deal of misinformation was going about, and that experience had been when your friends down here wanted to help they neither had the time nor the facts to go about making converts, and sometimes your friends found themselves, because of lack of proper preparatory educational work, under a cloud of suspicion in attempting results for you.

"Under such a condition of affairs it was felt by friends who genuinely had your interests at heart that the great industry which you lead could very well afford to have dignified representation here in Washington. A somewhat similar arrangement is conducted by the woolen manufacturers in having Mr. Reynolds, secretary of the national Republican committee, to watch matters for them.

"Hence, the idea of your having associated with you the man who since 1913 has been secretary of the national Republican congressional committee, identified actively with national politics for the last 10 years, most of the time as assistant treasurer of the Republican congressional, in which capacity he had a fairly good idea of the contributions made in the past.

"The fact that this man had also been for years the confidential secretary of Congressman William B. McKinley, of Illinois (he, too, being an Illinois man), it was thought the acquaintances and friendships which he had formed during 14 years among the various chiefs of subdivisions of departments, the men who really do the work, and among the great newspaper correspondents, qualified him to be all the more useful in the event that his services were needed at the departments for either new work which is bound to develop or supplementing the services you are now getting from the men you have here.

"The fact that the man referred to has years been associated with big party leaders of the Republican Party, and is on friendly terms with Democratic leaders, placed him in a position to seek the counsel and advice of important men, as has been his custom to do in the past.

"His political activities having given him a wide acquaintanceship among prominent men all over the country would enable him to be useful even beyond Washington if necessary.

"Therefore, it was believed that the service which such a man by his training and association could render, his experience in congressional activities, his knowledge of the relative potentialities of public men, his familiarity with methods of legislation, his friendships among party leaders, and his long familiarity with campaign contributions and what is best to do concerning them, would operate to produce a distinct saving of money to your principals, relieve the general attorneys of many irksome details and effect practical cooperation in many proper legislation and public educational work than existing to-day.

"For this service each of your four companies have been asked to contribute jointly a sum about what would be paid a first-class clerk in one of your offices (and such reasonable and fair expenses as shall appeal to you)—about \$105 per month on an annual basis."

That is, for each of them.

The CHAIRMAN. He did not submit a scale of relative potentialities, did he?

Mr. HENRY. No.

"It is proposed, subject to the advice, counsel, and cooperation of you gentlemen, to organize the work forthwith on the following basis:

"(1) To maintain a dignified office in Washington which shall be a clearing house for all information obtainable concerning your various industries and any particular line of development or inquiry or war business in which you are interested. Also, such matters of national concern which you may from time to time desire to bring to the personal attention of your principals.

"(2) To work out a practical congressional organization; from time to time to supply various leaders with educational information pertaining to the activities of your companies, the personality of your principals, etc., as you may determine.

"(3) To make a thorough check-up and card index of legislators, the forces behind each, the men to whom each go for counsels, the individual attitude toward your industries generally and any legislation in particular, and what, if any, proper educational work can or should be done among any constituency."

Then I stated in the record I thought we ought to have those letters here that show the agreement to get together and defeat Congressman Doolittle for reelection on account of his activities on the Borland resolution, because No. 3 seemed to indicate that information along that line was a part of the plan.

There are some letters, Senator, showing the stage of their getting together to defeat Congressman Doolittle, and spending some money because of his activities in favor of the Borland resolution.

This memorandum goes on:

"(4) To arrange for a few men, particularly among Republicans, to be prepared to lead any particular proper fight.

"(5) Whenever necessary to secure the cooperation of newspaper correspondents and other agencies of publicity along any line desired by your companies or your principals individually."

We have some correspondence bearing on 5.

"(6) From time to time to secure incorporation into the Congressional records and departmental bulletins of data and arguments or corrections, so as to have ready frankable matter to be mailed to any constituency. The plan of the sugar-beet representatives will be followed in this respect.

"(7) To suggest, with the aid of the gentlemen backing this suggestion, the methods of either making or saving any campaign contributions, etc."

I think that paragraph ought to be in italics, Senator.

The CHAIRMAN. It ought to be underscored.

Senator SMITH of South Carolina. Read that again.

Mr. HENRY [reading]:

"To suggest the aid of the gentlemen backing this suggestion, the methods of either making or saving any campaign contributions, etc."

Giving or withholding, "to have and to hold." [Reading:]

"(8) To keep in close touch with the new Food Administration——"

The CHAIRMAN. What was that?

Mr. HENRY. The new Food Administration. Pardon me, might I go back to the other, and then put in this one illustration in the record of how 7 would operate? Campaign contributions were made to defeat Doolittle, and a contribution of \$1,000 was made to elect Taggart who on the subcommittee had done as they asked him to do, as shown by the correspondence put in evidence.

The CHAIRMAN. You think there is some relation of cause and effect between those circumstances?

Mr. HENRY. Well, I do not think it would require much stretch of the imagination to reach that conclusion, Senator. [Reading:]

"(8) To keep in close touch with the new Food Administration Department, the committees of Congress, to watch and report progress of measures, to endeavor to anticipate negative or affirmative congressional action.

"(9) To study the operation of somewhat similar bureaus in Washington to improve the proposed service correspondingly.

"The importance of the work thus outlined and its supplemental character to that now being done must be apparent. It would relieve your friends of some embarrassment if the work could be started the first of next week."

The next is dated May 8, 1917.

Senator NORRIS. That is the end of that matter?

Mr. HENRY. That is the end of that matter, yes. Now, then, there is a letter dated May 8, 1917, addressed to Mr. T. E. Wilson, and this letter is signed "Henry Veeder." [Reading:]

Mr. T. E. Wilson—

The CHAIRMAN (interposing). Written from Washington or written from Chicago?

Mr. HENRY. It does not appear on the letter, Senator, but it has at the top of it "BEL, from Skipworth file 5/13/18." Skipworth is an official of Swift & Co., was at that time and is yet; he is a vice president, I think, and a very active man. [Reading:]

Mr. T. E. Wilson,
Wilson & Co. Union Stock Yards, Chicago.

DEAR SIR: Herewith please copy of letter just received from Eversman. Very likely you have received a similar letter.

Sincerely, yours,

HENRY VEEDER.

Which was a memorandum just read.

The next is a letter dated May 11, 1917, to Henry Veeder. (Reading:)

Mr. HENRY VEEDER,
76 West Monroe Street,
Chicago, Ill.

DEAR SIR: I have yours of the 8th instant inclosing copy of letter from Mr. Eversman. I have not had a letter direct from him; the last I heard regarding him was the talk with Mr. Faulkner, at which time I suggested that if the others were disposed to go on with this party, we would join.

Yours, very truly,

THOMAS T. WILSON,
President.

The Mr. Faulkner referred to is the attorney for Armour & Co., who has taken the place of Mr. Urian, as head attorney. He is the son, I understand, of ex-Senator Faulkner, of West Virginia.

The next one is on the letterhead of John C. Eversman, of 605 Riggs Building, dated Washington, May 19, 1917. (Reading:)

MY DEAR MR. FAULKNER: Your letter received. Knowing how busy you are and the difficulty of getting your people together, I appreciate all the more your kindness in taking hold of the situation. It would, indeed, be gratifying if the matter could be worked out this week. I am anxious to get busy, organize the work on the lines you gentlemen desire and start efforts to produce results you want.

The CHAIRMAN. Start?

Mr. HENRY. It says "start efforts to produce results you want."

The CHAIRMAN. I thought you said "Evers."

Mr. HENRY (reading):

Our friend, Mr. McKinley, has just suggested that the situation on Capitol Hill is daily becoming more confused and tangled, and he wonders if we are not losing some valuable time and opportunities of getting on ground floors.

If an early agreement could be reached, it would relieve me of some embarrassment as I have been holding off an answer to a good proposition in the earnest hope that I might become associated with you and your associates, which would be more to my liking.

Please wire if my presence in Chicago will help expedite matters, and I will come out forthwith.

Yours, very truly,

JOHN C. EVERSMAN

Senator FRANCE. Who is that?

Mr. HENEY. That was addressed to Charles J. Faulkner, jr., Chicago, Ill., and was signed "John C. Eversman."

That was taken from the files of Armour & Co. Those files were pretty lean, but there was a pay streak here and there, and the fact that files were carried out while we were investigating, Senator, can be proven by one of my examiners, a man named Buck, who finally succeeded in locating a lot of files that an assistant attorney of Armour had taken out and carried to his home, and after locating them, he took the testimony of this man, and got an admission as to their being carried away during the time this investigation of the files of Armour was being made.

The CHAIRMAN. The vein would pinch out occasionally; is that the idea?

Mr. HENEY. Yes; it would pinch out; in fact, there would be a fault in it, it would break off entirely, and you would not know where to find it—it would require exploration work.

The next letter is dated May 21, 1917, addressed:

JOHN C. EVERSMAN, *Washington, D. C., 605 Riggs Building.*

Save meeting on your matter to-morrow afternoon.

C. J. FAULKNER, JR.

The next is dated May 21, 1917, addressed to Mr. Henry Veeder, 76 West Monroe Street, Chicago, Ill. (Reading:)

Is there:

Re: John C. Eversman.

And that was signed by C. J. Faulkner. He says:

I called up Mr. Skipworth of Wilson & Co., and Mr. Morris of Morris & Co., and both stated they would both be present at the meeting to be held in your office Tuesday afternoon, May 22 at 3 o'clock, in connection with the above matter. I will be there also.

Yours, very truly,

C. J. FAULKNER.

The next is from V. D. Skipworth, vice president Wilson & Co., to Thomas E. Wilson. It is dated The Raleigh, Washington, D. C., May 26, 1917. (Reading:)

Mr. WILSON. Had a talk with Eversman. Am somewhat impressed with him and his ability to be of considerable service to the industry as a whole. He seems to know what we would expect of him and feels confident he can deliver. Its all one sided down here now; anybody can get up and abuse the packer and there's no one to even suggest that the accuser may not know what he is talking about. There is a lot of things going on here in a legislative way that I think makes it important the industry have such a man. Armour and Swift's men here are only messenger boys; they do not and I don't think can do the things we'd expect of Eversman. The trouble with A. and S. is the matter had been left to Veeder and Faulkner and they don't want to pick a live one for fear their prestige might be injured. Met Upham to-day. I suggest that he talk to you and if you agree, he to talk direct to Mr. A. and Mr. S. Leaving to-night for New York. Expect to leave there Tuesday for Chicago.

(Signed) V. D. SKIPWORTH.

The CHAIRMAN. Who is that from?

Mr. HENEY. Skipworth.

The CHAIRMAN. And addressed to whom?

Mr. HENEY. T. E. Wilson.

Senator NORRIS. Did they ever hold the meeting in Chicago to consider the Eversman opposition?

Mr. HENEY. Yes.

Senator NORRIS. Have you anything to show what they did at that meeting?

Mr. HENNEY. No, I have not what occurred at that meeting, Senator, I regret to say, but the outcome of the thing appears from these letters that finally resulted in Wilson employing him; the others did not go in on it.

Senator NORRIS. They decided not to employ him, did they?

Mr. HENNEY. Yes, at least they never did finally come to an understanding, and so Wilson went ahead and employed him.

Senator NORRIS. Is there any correspondence to show why they did not go on with it?

Mr. HENNEY. No.

Senator NORRIS. And you had no testimony showing that?

Mr. HENNEY. No.

The CHAIRMAN. Do you know what Wilson & Co. paid him?

Mr. HENNEY. Yes; that appears here, Senator. My recollection is about half of what they were all to pay, but it appears here. (Reading:)

MAY 26, 1917.

Mr. V. D. SKIPWORTH,
Hotel Biltmore, New York, N. Y.

MY DEAR Mr. SKIPWORTH—

This is from Eversman—

The Foreign Trade Division says there has been no alteration since war was declared. However, I shall verify this Monday and wire you.

It was a pleasure to meet you and I hope we will become good friends.

Very truly, yours,

(Signed) JOHN C. EVERSMAN.

The next is dated June 11, 1917, and is from V. D. Skipworth to John C. Eversman, addressed to him at the Riggs Building. (Reading:)

DEAR Mr. EVERSMAN: I do not think very much headway as yet has been made by the other people in regard to the proposition we talked over in Washington. We have been giving the matter careful consideration, however, and the thought occurred to us that we might possibly work out some arrangement whereby you could represent us in a way and keep us posted on any matters of importance that might affect our business or the industry as a whole.

It may be possible that the making of such connection would result eventually in the working out of the plan whereby you could represent some of the other concerns as well, and the industry as a whole. Our concern alone of course could not go very strong to begin with on such a matter, neither would our requirements take very much of your time. In fact it would possibly not interfere in any way with your present work, and if under the circumstances you care to favor a connection with us, it being understood that if it proved unsatisfactory to either side that same could be discontinued on short notice, we would be very glad to make arrangements accordingly. If you would care to try out such a proposition I would be very glad to recommend to our people a monthly compensation of \$150.

Yours, very truly,

The CHAIRMAN. Who signed that?

Mr. HENNEY. That was signed by Skipworth. And, by the way, Senator, we took from the files of Wilson & Co., a good many letters that showed that Skipworth was the man who attended to the contributions and "saving of contributions," to use the language of Eversman, on legislative work in the State of Illinois. Applications were made while he was away, and they would wire in to know whether or not the amount should be put up for the man. I have all those letters; they are in the record somewhere.

Senator NORRIS. Mr. Heney, were you able to determine how much money was spent by the packers in a year, say, in an effort to control legislation or elect or defeat men for office, either National or State or local?

Mr. HENNEY. No, Senator, but the correspondence taken from the files of Swift & Co. showed that Henry Veeder handled \$15,000, and opposed the Borland resolution, and was paying out the money himself, and the suggestion was made that if he prorated according to the old beef percentages, which is the arrangement they have in prorating general legislation and litigation expenses, plus a fixed percentage of 10 per cent each for Sulzberger & Sons or now Wilson & Co., and Cudahy; and Veeder thought it was better not to prorate it and collect it, or to make any entries in the books whatsoever until after the question of an investigation was finally over with. That was so the investigation would not discover about it.

I made a demand on each of the five big packers, as representative of the Federal Trade Commission, to furnish us with a complete statement of campaign contributions. I have been told since I reached Washington that Armour & Co. subsequently did furnish such a statement.

The CHAIRMAN. Was this \$15,00 for educational work?

Mr. HENNEY. Yes, Senator, that was for educational work.

Senator NORRIS. What about this statement? Go ahead with that.

Mr. HENNEY. I have not seen the statement, but the Federal Trade Commission can, of course, furnish you with it. I do not know whether the others have furnished that or not. They were very slow about it, and very reluctant to do it.

Senator NORRIS. Well, were they cross-examined on their showing so that there might not be any possibility of their covering up contributions and saying that they were for educational purposes or for charitable purposes, when, in fact, they were for political purposes?

Mr. HENNEY. No, they were not. The Armour statement did not come in until after I had quit work, and no statement came in from any of the others while I was at work.

The next letter is—I might say in that connection, Senator, that there is money being expended by them jointly in different States of the Union constantly on legislative matters.

Senator NORRIS. In connection with that, I asked you the other day, Mr. Heney, if you would look up the question of the Western Manufacturing Company, I think it was?

Mr. HENNEY. Yes.

Senator NORRIS. Have you done that?

Mr. HENNEY. I handed that to one of the men in the Federal Trade Commission, and asked him to do it for me, and I have not—

Senator NORRIS (interposing). And have not got a report on it?

Mr. HENNEY. I have been out of town, and I have not got a report on it, Senator.

Senator NORRIS. All right.

Mr. HENNEY. The packers jointly opposed the oleomargarine bill here which was enacted in 1908, putting a tax of 10 cents on colored oleomargarine and 1 cent on the white; and they have in New York State led off with some legislation which made it a criminal offense to give away coloring matter with the white oleomargarine. The packers brought about that legislation. Senator Wadsworth was

speaker of the house at the time, and was quite active in the matter, and Mr. Pearson, who is now Assistant Secretary of Agriculture, was commissioner of agriculture of New York State at the time, and helped to get up the bill. Henry Veeder was active in helping bring it about; and that bill was repealed only last session, or session before last, of the New York Legislature.

Senator NORRIS. Why did they want that kind of legislation?

Mr. HENEY. They were making oleomargarine where they put in this yellow kidney fat and certain kinds of fat that carried a little tincture with it, whereas the other oleomargarine manufacturers—this is the way it is explained to me—were making the pure white oleomargarine.

Senator NORRIS. That was a fight between oleomargarine men, then?

Mr. HENEY. Yes; the packers against the smaller oleomargarine men; in fact, against probably mostly against Junke, who was the largest of the oleomargarine men.

Senator NORRIS. They had a method of making oleomargarine whereby they colored it, and they wanted to make it a criminal offense to have it colored any other way, was that the effect of the law?

Mr. HENEY. The Congress had put a tax of 10 cents on colored oleomargarine; that is on the manufacture—

Senator NORRIS (interposing). Yes.

Mr. HENEY. Now, if the manufacturer could give away at the time he sold oleomargarine to the retailer, and the retailer could hand it to his customer, a bit of coloring, and say, "Here, you can put this in"—and it is a very simple matter to put the coloring in, of course, the retailer could sell to a hotel or to a restaurant, and they could put the coloring matter in and handle that on the table as butter.

Senator NORRIS. This New York law made it a criminal offense to give away the coloring material at the time they sold it; that was the law the packers helped to enact in New York, you say?

Mr. HENEY. Yes; the packers brought about the enactment or helped to bring the enactment about.

Senator NORRIS. And the reason why they wanted that kind of a statute was because their oleomargarine was already colored?

Mr. HENEY. That is the explanation that is given to me.

The CHAIRMAN. They colored it with the natural coloring?

Mr. HENEY. Yes; they used kidney fat and certain other kinds of fat that had a yellow color to it. They joined in getting it repealed here lately.

Senator FRANCE. Do you think the evidence is clear that the packers wanted that law?

Mr. HENEY. I know it is; I saw a telegram—

Senator FRANCE (interposing). Because it is contrary to their whole practice with reference to oleomargarine.

Mr. HENEY. I have a telegram from Henry Veeder to Speaker Wadsworth, by which the rules committee when legislation came up any other way than by the rules committee bringing it out on the last 10 days of the session, asking it to be brought out, and if that is any evidence of what they wanted, well, then yes, Senator.

Senator FRANCE. I think that is evidence. But it is so contrary to their whole practice with reference to this oleomargarine. That is shown by their wanting the law repealed.

Mr. HENEY. As to their wanting the law repealed, I am not sure that they wanted it, but an effort was made to repeal it, and the packers did not oppose it; whether they joined in and paid a part of the expense or not, I am not quite sure.

Senator SMITH of South Carolina. Let me understand that. There were certain oleomargarine people who did not have the facilities for natural coloring their oleomargarine as the packers had, and therefore the packers had a monopoly of a more desirable kind of oleomargarine, that evaded the law so far as the coloring was concerned. So that their oleomargarine would more nearly approach the color of butter, and the packers would have a better market sale than those who just had the old form of manufacturing and had to give away these coloring packages, where the retailer could have it done elsewhere than in the factory?

Mr. HENEY. Yes, Senator; that is my understanding of it as explained to me. But I do not pretend to have any positive knowledge of my own on the subject.

The next letter is dated Washington, D. C., June 15, 1917, addressed to Mr. V. D. Skipworth, care of Wilson & Co., Chicago, Ill.

The CHAIRMAN. Signed by whom?

Mr. HENEY. Mr. Eversman. (Reading:)

DEAR MR. SKIPWORTH: Your letter of June 11 has just come to my attention. I have been tied up with some important matters at the Capitol, so that unfortunately to-day I can not do more than acknowledge receipt and say you will hear from me within a few days.

Very truly, yours,

JOHN C. EVERSMAN.

And then on the right-hand side there was written on it: "Have you talked to Mr. Veeder recently?"

This was taken from Mr. Skipworth's files and addressed to Thomas E. Wilson, 4100 South Ashland Avenue.

Understand from Eversman McKinlay had favorable talk with Veeder. In view of many matters of importance, most of which will take definite shape pretty soon, it would be a big mistake not to make arrangements. Am sure best results can be accomplished by his representing industry as a whole, but if others can not see it by July 1, he is willing to make deal with us on terms mentioned.

New York to-morrow.

Hawkinson, Mohler request that Army use only inspected meats. Same recommendation made on Nogales Camp and followed by War Department. This same action will be taken at San Diego. Has not as yet heard.

V. D. S.

Senator NORRIS. Who is "V. D. S."?

Mr. HENEY. "V. D. S." is Skipworth, the vice president of Wilson & Co. The importance of the use of inspected meats at those camps is that it cut out all slaughterers who were not doing an interstate business, because only meat in cans for interstate commerce are inspected by the Federal Government, and by limiting the camps to inspect their meats, the local slaughterers could not compete. Of course, Nogales is in a cattle country—Arizona.

The CHAIRMAN. Was that done?

Mr. HENRY. All I know about that, Senator, is what appears from the words:

Hawkinson, Mohler requests that Army use only inspected meats.

The CHAIRMAN. Mohler is of the Bureau of Animal Industry.

Mr. HENRY. I recall the name.

The CHAIRMAN. Hawkinson; is that the given name?

Mr. HENRY. I do not know whether Hawkinson is a given name or not. There is a comma which appears after Hawkinson.

The CHAIRMAN. Then it is probably another name.

Mr. HENRY. I do not know whether it is or not.

Senator NORRIS. Evidently it is either one or two governmental officials in one of the departments he has reference to?

Mr. HENRY. Yes.

Then, the next is one dated——

The CHAIRMAN (interposing). I think Dr. Pearson is not with the Agricultural Department now; has he not resigned?

Mr. HENRY. Has he?

The CHAIRMAN. I think so, yes.

Mr. HENRY. The last I heard——

The CHAIRMAN (interposing). I think he is now at a college in Iowa.

Mr. HENRY. The last I heard of him he was Assistant Secretary of Agriculture.

Senator GRONNA. He is president of Ames College, Iowa.

The CHAIRMAN. That is what I thought.

Mr. HENRY. Now?

Senator GRONNA. Yes.

Mr. HENRY. Was he not Assistant Secretary of Agriculture?

The CHAIRMAN. He was for awhile; yes, sir.

Mr. HENRY. I thought I learned that. The next is a Western Union telegram taken from the files of Mr. Skipworth: (Reading:)

V. D. SKIPWORTH,

Wilson & Company.

Will appreciate your good offices in putting that proposition over right away. Will you not take it up with all parties concerned and write me at once?

J. C. EVERSMAN.

And then Skipworth to Eversman July 10, 1917, reading as follows: (Reading:)

JOHN C. EVERSMAN,

Riggs Building, Washington, D. C.

DEAR MR. EVERSMAN: I have been unable to get anything tangible from the other people.

So far as Willson & Company is concerned, however, we will go ahead and make an arrangement with you on a yearly basis which would not interfere with your making arrangements with other industries.

If such a proposition would interest you, wire me care of the Emerson Hotel, Baltimore, Md., by 11 o'clock Thursday morning, the 12th, as in that case I might either run to Washington, or have you take a run over to Baltimore. We can discuss the matter on the telephone.

Yours, very truly.

The next is dated July 17, 1917, addressed to all departments, Chicago, New York, Kansas City, and Oklahoma City: (Reading:)

Mr. John C. Eversman, 605 Riggs Building, Washington, D. C., has been appointed general Washington representative of the company.

Mr. Eversman is not a lawyer, but is well acquainted and is in close touch with all departments and conditions existing in Washington, and we think

capable of handling a great many matters and securing any information desired locally.

Mr. Eversman will be in Chicago within the next week or ten days and get acquainted with the individuals for whom he will probably do business with as well as the general run of our business.

Very truly, yours,

(Sgd) V. D. SKIPWORTH.

Senator NORRIS. That was a Wilson proposition?

Mr. HENNEY. Yes.

Senator NORRIS. Sent to all these people who were representatives of Wilson & Co., at those places?

Mr. HENNEY. Yes; it was sent to the departments of Wilson & Co. at those different places, Chicago, New York, Kansas City, and Oklahoma City.

Senator NORRIS. Was that after the Baltimore conference?

Mr. HENNEY. Evidently. It is July 17, Senator, and the Baltimore wire was July 10, which is a week later they sent it out.

Senator NORRIS. The date of the wire from Baltimore was not the date when he expected to hear from Eversman?

Mr. HENNEY. No, the 12th was when he expected to hear from him.

Senator NORRIS. Is there anything on the files to show what happened at that meeting, if there was such a meeting?

Mr. HENNEY. We did not find anything.

The CHAIRMAN. Mr. Heney, do you know how long before this correspondence began that you have been reading, Mr. Eversman's connection with Mr. McKinley was terminated?

Mr. HENNEY. No, Senator, I do not.

We never attempted to question Mr. Eversman.

The next one is July 23, 1917: (Reading:)

JOHN C. EVERSMAN, 605 Riggs Building, Washington, D. C.

MY DEAR MR. EVERSMAN: This will confirm our conversation in Baltimore, Thursday, July 12th—

I had forgotten this was here, Senator—

to the effect that we agreed to pay you for one year from July 1, 1917, the compensation of \$2,500, payable in monthly installments for your services as general representative of this company in Washington.

You agree to undertake to handle any matters with any of the Government departments, or any other matters in connection with our business with any other bodies, such as railroads, commercial concerns, or individuals in Washington.

It is understood that you have the right to engage your services when you can do so without detriment to Wilson & Co. in any other line except the packing-house line, but that you will serve Wilson & Co. to the exclusion of any other packing house or food product concern.

We understand that the compensation mentioned covers expenses, except such extraordinary items as might be necessary in connection with some particular matter. In no case, however, are any such expenses to be incurred without first taking the matter up with the writer.

I think this covers the matter fully and we are looking forward to a visit from you within the next week or so, so that you may get acquainted with the different department heads and be in a position to render us maximum service.

If the foregoing is satisfactory to you, please signify your acceptance thereof by signing a copy of this letter herewith enclosed under the word "accepted" in the lower left-hand corner, and this letter will then constitute a binding agreement between us.

Yours, very truly,

(Signed) V. D. SKIPWORTH.

Then appears the word "Accepted," and it is signed "Jno. C. Eversman."

The next is dated Washington, D. C., July 23, 1917, and addressed. (Reading:)

MY DEAR MR. SKIPWORTH: I have arranged to have a representative of one of the largest press associations, entitled to the privileges of the floor of the House, to represent us without additional cost. For instance, he will have access to all bills introduced in the House before same are printed, and of course he will watch the debates. A list of subjects in which you might be interested will help him. Possibly you can have some one send me this data.

Very truly, yours,

JNO. C. EVERSMAN.

Senator NORRIS. Was there anything to show who that newspaper man was?

Mr. HENY. No.

Senator NORRIS. Was there any evidence developed to disclose his identity?

Mr. HENY. No, there was not, Senator.

Senator NORRIS. You have no idea who he was?

Mr. HENY. No.

Senator NORRIS. In a general way, let me ask you in regard to not only Wilson & Co. but any of the other packers: What arrangements did you find they had with newspaper men who had access to the galleries of the House and Senate and of the floor of the House and Senate.

Mr. HENY. I do not recall now, with the exception of Thomas Logan. Logan was a newspaper correspondent here. My understanding is that he was writing for some Philadelphia newspaper.

Senator NORRIS. The Philadelphia Inquirer?

Mr. HENY. Yes.

Senator NORRIS. What did the evidence show about his employment, if you remember? Have you got some letters in regard to that?

Mr. HENY. It did not show about his employment, but it showed he was furnishing them with information. He was getting information, apparently inside information, as to what was going on in the White House. He was getting inside information in regard to what was going on in the Federal Trade Commission. In both instances where it either directly or indirectly affected the packers, and was sending this to Swift & Co.

The CHAIRMAN. Did he hold forth in the House or Senate press gallery or either one?

Mr. HENY. I do not know whether he was in either, Senator. I do not know—all I know is that he was a newspaper correspondent.

The CHAIRMAN. Did he communicate by wire or letter with the Chicago people, if you know?

Mr. HENY. Letters, in some instances I know it was letters, rather long letters, which were quite full.

Senator NORRIS. What was the means of reaching the White House; what was the connecting link there, if you know?

Mr. HENY. I rather think that he was on friendly terms with Mr. Tumulty, and my impression would be that neither Tumulty nor anyone in the Federal Trade Commission with whom he was on friendly and social terms—he was a great entertainer—had any reason to suspect that he was representing anybody.

Senator NORRIS. You mean he would get this in a confidential way from those officials?

Mr. HENEY. Yes; that would be my impression.

Senator NORRIS. Have you got any instance in mind where he found out in advance, before it was given to the public, about what official action would be taken by the Government officials?

Mr. HENEY. Yes, there was a letter put in the record, in which he told about the appointment of Mr. Hoover.

The CHAIRMAN. Who?

Mr. HENEY. Mr. Hoover, as Food Administrator, apparently several days before it occurred. And then there was a letter in which he outlined what was going to be done in the matter of the investigation by the Federal Trade Commission. I do not recall very distinctly what was in that letter, but I can get it for the committee. It is in the records. I had put it in evidence in the public hearings.

Senator NORRIS. All right, Mr. Heney.

Mr. HENEY. It seems to me it said something about my employment, but I would not be certain about that.

Senator NORRIS. Was that before it was known you were employed?

Mr. HENEY. I do not recall that either.

Mr. HENEY. The next one is a letter dated July 24, 1917, addressed to John C. Eversman, Riggs Building, Washington, D. C. [Reading:]

Wrote you yesterday fully regarding arrangement. Would like you be Chicago to-morrow to talk over matter Howard phoned you about—

Howard is the New York representative of Wilson & Co.— [Reading continued:]

Ascertain from Federal Trade Commission how long F. J. Heney will be in Washington.

V. D. SKIPWORTH.

I do not think I had reached Washington yet, or just reached there the day before or afterward. I think it was later; I think it appears here.

The next is Washington, July 24, 1917. [Reading:]

Mr. V. D. SKIPWORTH,
care of Wilson & Co.

Wire too late. Can not reach Chicago till Thursday morning. If that is not agreeable to you, wire me. Federal Trade reports nonarrival of Heney.

J. C. EVERSMAN.

Then the next was a telegram dated July 25, 1917. [Reading:]

V. D. SKIPWORTH, Chicago.

Talked with Heney today. Has not agreed upon program Davies. We have until Monday to file application for formal hearing before commission to present any arguments to work out any program to avoid duplication by Houston and Hoover Departments.

J. C. EVERSMAN.

I may say that I do not recall Mr. Eversman to mind, but newspaper men and attorneys for the packers constantly came in to see me, and that is about as much information as any of them got, as I recall. But Mr. Creigh, of Cudahy & Co., got so friendly—I had no

key to my door, they did not give us the keys. The representative of the Federal Trade Commission locked and unlocked all doors, morning and evening, and I occasionally came into my office, where I had my papers spread out on my desk, and found Mr. Creigh waiting there for me. So I succeeded in getting a key then by insisting upon it, that I could lock my door with when I went out. I do not mean by that to reflect upon Mr. Creigh in any way.

Senator SMITH of South Carolina. You just thought he might just inadvertently see something?

Mr. HENRY. Yes. I did not think it was sound public policy for an investigator to have his papers open for inspection by the parties being investigated. [Laughter.]

The next is dated July 29, 1917, addressed Mr. John C. Eversman, Riggs Building, Washington, D. C. [Reading:]

DEAR SIR: Replying to yours of the 23d it is hardly possible for us to make up a list of subject we would be interested in. We are naturally interested in anything that pertains to our main business or any branch of it; therefore, any discussions covering live stock or meat, or in fact general food products would interest us in addition to fresh and cured meats, such as beef, pork, veal, hams, bacon, etc. We also pack all kinds of canned vegetables, jellies, jams, preserves, fruits of all kinds, salmon, and we are interested in the various by-products such as hides, which naturally makes us interested in the leather proposition. Any legislation in connection with oleomargarine greatly interests us.

Our company, as you know, as a subsidiary, Thomas E. Wilson & Co., who manufacture and deal in all kinds of sporting and athletic goods.

Yours, very truly,

The CHAIRMAN. Sporting and athletic goods?

Mr. HENRY. Yes.

Senator SMITH of South Carolina. That would include golf sticks and balls?

Mr. HENRY. Yes, the baseball bats and balls.

I have a list of products dealt in by those companies and manufactured by those companies here. I counted it just casually and find there are something over four hundred different things that they manufacture.

Senator NORRIS. Can you give us the list?

Mr. HENRY. Yes, I have it, and I will give it to you. I will hand it to the reporter to put into the record.

Did you get that, Senator?

Senator KENYON. No, what was it?

Mr. HENRY. I just stated that I have a list here which I counted casually and found that there are something over four hundred different things that they manufacture.

The CHAIRMAN. I want that filed—it is products and by-products.

You could put that in at the end of your statement.

Mr. HENRY. It covers articles like combs, buttons, and all sorts of things; and then they manufacture certain things that they sell to railroads, and in that connection before I finish I want to draw attention of the committee to a certain company in Chicago that manufactures some brass things they sell to the railroads, out of which they have made almost fabulous profits as compared to the capitalization, and also bumping posts.

The CHAIRMAN. Made out of what?

Mr. HENRY. It is a brass arrangement that goes on a railroad track. And then there are bumping posts. They have a manufacturing plant which manufactures bumping posts right out there at the stockyards, and they sell those bumping posts to the railroads, rather old-fashioned bumping posts now, but they seem to be able to get by with them all right, because the traffic agent—I have forgotten whether of Swift & Co. or Armour & Co.—has the routing agent for the bumping posts.

The CHAIRMAN. Used in the stockyards?

Mr. HENRY. They manufacture them out there, the bumping posts. Senator NORRIS. They used to bump all over the country.

Mr. HENRY. Yes; stumping posts.

The CHAIRMAN. Used in congressional districts, according to the testimony you gave awhile ago.

Mr. HENRY. Yes; I ran over one lately.

Senator NORRIS. You are fortunate they did not run over you.

Senator FRANCE. An examination of that list would make it appear so the beef industry would soon be in as many lines as the Government.

Mr. HENRY. More.

Senator FRANCE. Oh, no.

Mr. HENRY. Then, the next is Eversman's letter on the letterhead of Eversman, and the letter is headed as follows: [Reading:]

ASSISTANT SECRETARY REPUBLICAN CONGRESSIONAL COMMITTEE,
605 Riggs Building, Washington, D. C.

It is dated August 10, 1917, and addressed to V. D. Skipworth, vice president, Thomas E. Wilson & Co., Chicago, Ill.:

DEAR MR. SKIPWORTH: I have received no memorandum from you about the Federal trade investigation. I have been working on that matter some, but when I received a copy of the reply of Mr. Wilson it will be very helpful.

Was any arrangement made or program arranged when Mr. Davies was out there recently?

Very truly, yours,

JOHN C. EVERSMAN.

Senator NORRIS. Is that Mr. Davies a member of the Federal Trade Commission?

Mr. HENRY. He was chairman at that time; yes. They did not make any arrangement with him, though, because the Federal Trade Commission, after I finally developed the plan I wanted to pursue, gave me a free hand on it, and never once interfered with me.

Senator KENYON. What is the date of that letter, Mr. Henry?

Mr. HENRY. The date of that letter is August 10, 1917.

Senator KENYON. Was Mr. Eversman secretary of the Republican congressional committee at that time?

Mr. HENRY. I do not know, Senator.

Senator KENYON. You are reading that from the stationery of that committee?

Mr. HENRY. Yes; that is his stationery that he was using of assistant secretary. I do not know whether it is copied correctly or not.

Senator NORRIS. You mean he signs that in that way?

Mr. HENRY. No; that is the printing on the left-hand top corner of his stationery, or else in the center at the top.

Senator NORRIS. And this was not any matter of the Republican congressional committee he was writing about?

Mr. HENEX. No; he was writing to Skipworth about the Federal Trade Commission investigation. The only point that would seem questionable was that if he addressed letters to men on behalf—he was really working for Wilson & Co.—if he addressed letters to men and used that letterhead, it would carry with it whatever prestige might go with the position apparently.

The CHAIRMAN. He might use that even if he had retired from the position?

Mr. HENEX. Yes; he might have had some stationery left over.

Senator GORE. I presume we could find out.

Senator KENYON. I will just ask you if you found any letters of that kind addressed to people who contributed to the Republican campaign congressional committee?

Mr. HENEX. I do not recall any now, Senator. But I have not looked at any of this stuff since last March, and so I came in here without a chance to refresh my memory, except what little reading I have been able to do since I have been here, and I have been here in attendance on the committee nearly every day all day.

Senator KENYON. Did you ever examine the reports filed of contributions to both the Republican and Democratic campaigns filed here under the law?

Mr. HENEX. No. And, by the way, Senator, did you have a list of all the people employed in the Agricultural Department who were there at the time they were being paid by the General Education Board of New York?

Senator KENYON. In pursuance of a resolution which I introduced they sent over that list to the Senate, something like 35, I think. That list is in the Congressional Record.

Mr. HENEX. So I can get a copy of it; may I?

Senator KENYON. Yes.

Mr. HENEX. Do you know whether or not those people were appointed originally through the recommendation of the General Board or any of them?

Senator KENYON. Well, not being on the witness stand I should prefer to give you some information I have personally.

Mr. HENEX. Thank you. The reason I asked, Senator, was that I found a certain viewpoint existing over there in regard to these matters among quite a number of people, and I was curious to know where the viewpoint originated.

Senator NORRIS. You mean in the Agricultural Department?

Mr. HENEX. Yes.

Senator NORRIS. Oh, well, the Government is paying these officials, but they are still there, as I understand it.

Mr. HENEX. Yes, and I wondered how they were originally selected.

Senator NORRIS. Those people who were formerly paid by the Rockefeller fund are now paid by the Government, but the same men to a great extent are still in the Agricultural Department, I understand.

Mr. HENEX. Yes; that is my understanding, too. But I have no knowledge as to how they were originally selected.

The next letter is dated August 28, 1917, and that has printed at the top of it "John C. Eversman, Secretary, Republican National Committee," and is addressed to Wilson & Co.

Mr. V. D. SKIPWORTH, V. P., *Chicago, Ill.*

This is a little different heading from the other. [Reading:]

MY DEAR MR. SKIPWORTH: Should Mr. Willson or yourself be in Washington about September 5 I suggested to Mr. Hoover I should deem it a privilege to get a little luncheon or dinner party and invite a few Senators, Congressmen — and influential correspondents to meet you gentlemen.

Very truly, yours,

(Signed)

JOHN C. EVERSMAN.

The CHAIRMAN. Do you know whether that dream was ever fulfilled?

Mr. HENRY. I do not, Senator.

Senator NORRIS. You do not know whether he did have a dinner for the influential newspaper correspondents and Congressmen and Senators?

Mr. HENRY. No, I do not.

The CHAIRMAN. That refers to Mr. Hoover. You say Mr. Hoover had advised him, or what do you know about that?

Mr. HENRY (Reading:)

Should Mr. Wilson or yourself be in Washington about September 5 I suggested to Mr. Hoover—

Mr. Hoover frequently called for the packers, or at least quite a number of times, to come here for a conference, and those conferences were, of course, at the time he was trying to formulate a general policy, both a buying policy and a production policy, and he was seeking information from every direction, Senator, which was perfectly proper and right, as I understand it.

Senator FRANCE. Suppose this committee having the Borland resolution under consideration, had invited the packers to come and have a little lunch with them, and talk over the legislation. Is there any essential difference between an executive having a nice little talk with the packers over what the arrangements shall be with reference to price, etc., and members of the legislative body having a nice little talk with the packers of the same character? You are a pretty keen lawyer, Mr. Henry. What is the difference?

Mr. HENRY. Senator, I just stated that Mr. Hoover's sending for the packers was perfectly all right for consultation. But inasmuch as you have asked me my opinion, I would say that if this committee was to accept an invitation from J. Ogden Armour to lunch with him to discuss this matter at his expense, I would not care to express an opinion myself of the action.

While I was investigating I was invited by them and I invariably declined, and I have made it a rule all my life not to permit myself to be put in a position where anybody could question the matter. It may be all right.

Senator SMITH, of South Carolina. You think it would have the effect of what a certain witness said down in my State when we were investigating a certain institution down there: "Whose bread he ate, whose song he sung." Wouldn't that be the effect of it? [Laughter.]

Mr. HENY. I think there is another position: It might have no effect on many men whatever, but I think that when a man is in a public position, he owes it to the public not to put himself in a position where it might raise doubts in the minds of people as to whether or not he is representing the public interests strictly.

Senator FRANCE. I agree with you, Mr. Heney, entirely. I do not know that I made myself perfectly clear. I am talking about the propriety of a governmental procedure such as that of having an executive clothed with the power to fix prices, calling the packers to him and going into a secret chamber, and after a long consultation making an arrangement satisfactory to all. Is there any difference between a member of the executive department doing that and committees, made up of members of the legislative department doing that?

Mr. HENY. None whatever.

Senator FRANCE. Well, what is the difference in principle? We are going through a mass of evidence here to try to connect in some way the packers with a committee, with the thought that there may be some sinister relationship, and yet the packers can come here to Washington, go to Mr. Hoover's office, and sit down in that office behind closed doors—

The CHAIRMAN (interposing). And get what they want.

Senator FRANCE. To make an arrangement, which of course—

The CHAIRMAN. And get what they want.

Senator FRANCE. I am not saying there is anything improper about it—and make an arrangement that is highly satisfactory to all of the interests concerning which the testimony shows resulted in the packers getting a higher price for beef than they ever received in the history of the packing industry.

I want to see if there is any similarity between that transaction and a transaction by which packers would go and shut themselves up with a committee having the Borland resolution—behind closed doors with the members of that committee, or perhaps, with one member of it—making an arrangement of some kind, after which legislation passed highly satisfactory to the packers.

Now, after all, that is a very essential point. We are trying to get a vague relationship here between the legislative body and the packers, but there is no secret about their walking up to Mr. Hoover's office.

Understand me, I think both are highly improper. I do not think it is the way to conduct the Government. I think that in an open hearing they might appear before an executive department or a legislative committee, but, in my judgment, one is as improper a method as the other. I think that—perhaps I may be mistaken—I think that it all has some bearing upon what we are trying to do here to-day.

Mr. HENY. Yes, Senator, I get your viewpoint now, and when I ventured the statement that it is perfectly proper for Mr. Hoover to send for the packers, I meant that I did not want the inference drawn from my reading this that I thought that because he sent for them that that in itself ought to carry condemnation with it. I have the same viewpoint you have on the impropriety of these secret meetings.

Senator FRANCE. I know you have.

Mr. HENEY. I believe that President Wilson's theory in regard to this conference in Europe, that it should be openly conducted, is the proper one for all public functions.

Senator FRANCE. Of course, we are members of the legislative body, and if there has been any impropriety, we want to find it. At the same time, I think we should be on our guard against condemning Members of Congress by mere inference, where the connection is not clear, when we will absolve a member of an executive department of any improper motive, when he is publicly going into a conference.

The CHAIRMAN. Do you think it is perfectly proper for Mr. Hoover to employ a lot of these packing-house employees in his office, and let them remain on the packers' pay roll?

Mr. HENEY. Are you asking me that question?

The CHAIRMAN. I am.

Mr. HENEY. I think it was entirely improper, absolutely improper.

The CHAIRMAN. I think so, too.

Mr. HENEY. The impression I gained of Mr. Hoover's conduct of the Food Administration was that he centered his attention on taking care of the middle man, the distributor, rather than the producer. That must be qualified, however, by what was done in regard to hogs, because he was very anxious to have the hog production increased in this country, and he insisted upon having the big packers agree to maintain a certain price for hogs, and that has been carried out.

Senator NORRIS. I do not want to go into it here, but I do not want to let the statement go unchallenged that I do not think Mr. Hoover treated the hog men right.

The CHAIRMAN. I do not think the agreement was carried out in every particular.

Senator NORRIS. There was evidence introduced before this committee that they wanted in a patriotic way to increase production to a great extent, and to a very great extent, and the Food Administration went back on the promise it made.

Mr. HENEY. I do not know the details; I am only stating a generality.

Senator NORRIS. I do not want the statement to remain unchallenged, and I think every member of the committee that heard the evidence will agree with me.

Senator GRONNA. The testimony on that before the committee is very full and very complete.

Senator FRANCE. Mr. Heney, you are not here to give opinions; you are here to give facts. It seems there are very great questions of public policy involved, and you are a man whose opinions are very important on this subject.

Is it your opinion, if you care to express it, that it is not consistent with sound public policy to appoint an executive with power to fix prices, and then to permit that executive to go into secret conferences with the packers who have products to sell and fix a price?

Mr. HENEY. I say no; it is not in accordance with sound public policy, is my opinion. And I showed that to be my belief by my actions. When I found letters on the files of Swift & Co., and found from the books of Swift & Co. evidence that several of the most important men of Swift & Co. were occupying positions

with the Food Administration as dollar-a-year men and drawing down \$10,000 a year salary from Swift, and one of them in charge of the canned-goods department of the Food Administration in fixing prices for canned goods, and another one that of poultry, I proceeded to make these letters public, and I also will say very frankly that my object was to drive them out.

The CHAIRMAN. I think it had that effect in some instances.

Mr. HENRY. Two at a time.

Senator NORRIS. Senator France was not here, but Mr. Henry, in a former part of his testimony, went into that quite fully.

The CHAIRMAN. I think when it came to a show-down between serving Uncle Sam at a dollar a year and Swift & Co. at \$10,000 a year, they showed pretty good business judgment.

Senator NORRIS. I think Mr. Henry did a great public service when he did that.

Senator GRONNA. Mr. Henry gave the names, too.

Mr. HENRY. I stated that I demanded of Mr. Hoover that he remove Prebe, and he defended Prebe; and then I followed up the defense Prebe had given him and exploded it and showed it was false and furnished that evidence to Mr. Hoover.

The next letter is dated October 31, 1917, addressed to Mr. John C. Eversman, Riggs Building, Washington, D. C. [Reading:]

DEAR MR. EVERSMAN: It has developed in the last few months that the major portion of the assistance we require from local representatives is in the nature of more or less detail and to a large extent (that is in individual cases, you might say) of minor importance, in the aggregate, however, being very important to the business and requiring the entire time of at least one man; therefore we have engaged Mr. Harry M. Howard, who will devote his entire time in our service, effective Monday, November 5, with headquarters at our branch, 201 Seventh Street NW.

Mr. Howard has been for a number of years connected with the New Willard Hotel and I think has a wide and favorable acquaintance in Washington.

This for your information.

Yours, very truly,

V. D. SKIPWORTH.

The next letter is dated Washington, D. C., November 3, 1917. [Reading:]

Mr. V. D. SKIPWORTH,

Vice President, Wilson & Co., Chicago.

DEAR MR. SKIPWORTH: Yours of 31st ultimo at hand. I note with pleasure the appointment of my friend, Harry H. Howard, to your Washington branch. He is a fine fellow and capable. I shall gladly help him every way possible. You can easily keep a man busy all the time keeping in touch with the General Supply Committee, the Quartermasters' depots and other Supply Commission and profitably too.

This arrangement will give me more time to devote to some of the larger places we talked over.

I would suggest, however, because of potential contacts organized and certain arrangements I have made since acting as your representative, that you continue to refer to me matters even unimportant which come before the War Trade Board, the Federal Trade Commission, Internal Revenue business, Interstate Commerce, the License Bureau, Food Administration, foreign embassies and of course congressional matters.

Very truly yours,

JOHN C. EVERSMAN.

Senator FRANCE. Is that word "potential contact" a classic?

Mr. HENRY. Yes. "Potential contacts" against.

The CHAIRMAN. Is that a part of the technique of parlance?

Senator GRONNA. That would probably include dinners.

Mr. HENRY. He says: "This arrangement will give me more time to devote to some of the larger places we talked over," he does not indicate what the larger places are.

The next letter is dated November 19, 1917. [Reading:]

DEAR MR. SKIPWORTH: Will you be East soon? Have several matters of more or less importance which I would like to talk with you about—also some things coming up in Congress. A talk would be much better than correspondence.

Will be glad to meet you in New York when you are there.

Yours,

JOHN C. EVERSMAN.

The CHAIRMAN. There might be a little inspiration about that?

Mr. HENRY. Yes, I have no doubt that he is more convinced than ever that a talk would be much better than correspondence.

The next is a night telegram. [Reading:]

WASHINGTON, D. C., November 29, 1917.

Personal.

V. D. SKIPWORTH,

Care of Wilson & Co., United States Stockyards, Chicago, Ill.

Confidential inside tip constrains suggestion that War Trade Board matters be kept entirely in my hands until we go over situation personally. It is to your interest. Important.

J. C. EVERSMAN.

I think that had to do with some rejected hams, and I rather think it appears here later, it is my recollection that Wilson & Co. were trying to get them to take.

Reply, November 21, 1917. [Reading:]

[Straight message.]

JNO. C. EVERSMAN,

814 Riggs Building, Washington, D. C.

Answering, would like to have you come to Chicago for conference either Friday or Monday whichever is most convenient.

V. D. SKIPWORTH.

The next is dated February 1, 1918. It is a telegram over their private wire from New York, from Wilson to V. D. S.:

Had long conference with party suggested (Sen. Watson). Situation resolves itself entirely to subordinating rate question to major one of securing time limit of one year in committee bill. A great determined effort being made to accomplish latter. Test vote on this proposition a tie with Gore said to be favorable absent.

The CHAIRMAN. What was that? Read that again. I did not catch it.

Mr. HENRY. You better pay attention. [Laughter.]

The CHAIRMAN. I was just discussing Presidential aspirations here. [Laughter.]

Mr. HENRY. This is a private wire from New York dated February 1, 1918.

Wash., V. D. S.—

That is Skipworth, and it is from Eversman—

Had long conference with party suggested (Sen. Watson). Situation resolves itself entirely to subordinating rate question to major one of securing time limit of one year in committee bill. A great determined effort being made to accomplish latter. Test vote on this proposition a tie with Gore said to be favorable absent. Test vote on Interstate Commerce Commission [Committee N. M. B.] nine to eight in favor of commission. Outcome to-day depends upon effort to compromise.

The CHAIRMAN. What date is that?

Mr. HENRY. February 1, 1918. That is the test vote on Interstate Commerce Commission.

The CHAIRMAN. What was the legislation up at that time?

Mr. HENRY. I do not know what that refers to.

Senator NORRIS. It was some action on interstate commerce matters it has reference to.

Mr. HENRY. Apparently.

Senator NORRIS. Do you know what bill it has reference to?

Mr. HENRY. No, I do not. Maybe it tells here later. [Continuing reading.]

Situation up to White House to which leading Democratic committeemen have been called. Compromise may confer on President rate making power but only on condition of limiting operation of bill to one year after the war.

Senator NORRIS. That was the taking over of the railroads.

Mr. HENRY. It must have been the taking over of the railroads.

The CHAIRMAN. Yes.

Senator NORRIS. How were the packers interested in that?

Mr. HENRY. Their refrigerator cars. And there was some considerable question arose afterwards in regard to that.

Senator NORRIS. They did not take them over, did they?

Mr. HENRY. I do not think they did. Armour had over ten thousand, Swift about seven thousand, and then the others two thousand or three thousand—two of them fifteen hundred apiece; I have forgotten the exact number; and those private refrigerator cars they were able to get expedited on the railroads, and are always able to. Some of the small packers have tried having their own refrigerator cars, and they found it did not do them any good, because the cars would be delayed en route so that they could not keep contracts. One man over here in Philadelphia testified that he tried out having some cars of his own, and he had three or four of them, and he had a long contract by which he could deliver a lot of meat to Hartford, Conn. But he said his cars would not get through in time, and he would leave his customers there waiting on meat, and finally he succeeded in getting a hold of one of Swift's cars, and that went through all right on time.

Senator NORRIS. Did you find anything to show what effort if any were made by the packers to prevent the President, when he took the railroads over, not taking the refrigerator cars over, and through whom did they work, if they worked at all along that line? The fact is they were not taken over.

Mr. HENRY. The fact is they were not taken over.

Senator NORRIS. And it was generally believed by everybody that there was perfect authority given in the law to take them over.

Mr. HENRY. We have some information on that, Senator. My mind is not very clear on it. Mr. Breimeyer, who is here with the Commission, worked under my direction to gather that information. He made that his specialty, and I will see him, and if the committee desires I can have him come down and tell you whatever he knows.

Senator NORRIS. If he has any information on that subject I would like to have it brought out.

Mr. HENEY. Yes. We are a long ways from that telegram I was reading. I had not finished it. [Reading.]

Some compromise may be made to give President rate making power now but to cease immediately after the war. I assume you regard major proposition more important. Additional information 5 p. m.

EVERSMAN.

The next is a telegram dated Chicago, February 1, 1918:

J. C. EVERSMAN,
608 Riggs Building, Washington, D. C.

Test vote before Senate Interstate Commerce Committee 2 o'clock to-day regarding Interstate Commerce Commission retaining jurisdiction over rate matters. It is of highest importance to see Senator Watson, who is on this committee, urging retention of such authority by the commission. Please see him before committee meets.

V. D. SKIPWORTH.

That should have been read ahead of this other one, because this other one contains the statement:

Had long conference with party suggested (Senator Watson).

I am of the opinion that was inserted out of order in copying it into the record.

Senator NORRIS. I suppose the one you read first was an answer to the one you read last.

Mr. HENEY. Yes. The next one is over the private wire from New York of Wilson & Co., and reads as follows [reading]:

Wash., V. D. S.

Compromise worked out is to make time limit for Government control one and one-half years after the war, also to give President power to initiate rates until they are overturned by Interstate Commerce Commission to whom appeal may be had.

EVERSMAN.

Then there is something—two words—the first one I can not make out “fone” it is, and then the name “Walters.” follows it. I do not know what that means.

Senator GRONNA. Before you go into that, Mr. Heney, may I ask just a word with reference to Mr. Eversman, just to show you the connection. I called up Senator Curtis, who is quite familiar with the Republican organizations, and asked him if he knew what time Mr. Eversman severed his connections with that committee. He was not with the Republican national committee; he was Secretary of the congressional campaign committee of the House, and his impression was that Eversman severed his connection with that committee some two years ago. There was fight made on him, as I understand it, and another man was elected in his place, but he has been with that committee, as Senator Curtis says, six or eight years. I just wanted it plain that it was the Congressional Committee of the House of which he was secretary.

Mr. HENEY. Thank you, Senator.

In view of the question that came up about how the farmer was treated on the hogs, I would like to read into the record at this point a letter that shows how the packer made out on hogs. It was dated Chicago, February 12, 1913, and it is from G. C. S., that is Guy C. Shepherd, vice president of Cudahy & Co., to M. R. Murphy, Omaha, Nebr.; and M. R. Murphy is the superintendent of Cudahy & Co. at Omaha, and has charge of the buying at Sioux City, and

Kansas City as well. I am reading this letter, Senator, as indicating how the packers made out on hogs. [Reading:]

MY DEAR MIKE: I received your telegram to-day and also saw the telegram to Bonde and the messages which you requested him to show to Mr. Cudahy.

I presume it is true that all of us have not been as considerate as we should have been in view of the great strain and the difficulties under which you and all of the superintendents have been laboring since the first of January. The whole truth of the matter is we have nearly bitten off more than we can chew. There never was a time in the history of the business when we have had as good a margin on the hogs for as long a stretch continuously, and naturally it has made every one very greedy to kill every hog they possibly could. I don't suppose any of us have wasted very much time figuring out whether we could or could not handle the business when we saw a chance to land a big allotment over at the Food Administration. The main idea that we had in mind was the order and then get through with it some way or other. Every department head here in the Chicago office has been working under a great strain also and if the truth was known every one is pretty much on edge themselves, and working under these conditions they are not apt to be as considerate of other people as they might be under normal conditions. However, I wish you would keep this one thing in mind that when these telegrams are sent they are not intended as personal criticism or as any reflection upon the work or ability of the man to whom they are sent.

One of the big things which Mr. Cudahy has had on his mind over here has been the question of finances, as at the present time we have about twice as much money borrowed as we ever had before and about all we hear around here is to get the stuff shipped and get the money back. Naturally with this drummed into us morning, noon, and night everyone of us is trying to think up some brilliant scheme for getting the money back and the first thing we think of is to get the cars and get the stuff shipped. If it was only one of us that was handling this proposition it wouldn't be so bad, but I can readily see how during the course of the day the number of messages you get from all departments is very large. Mr. Cudahy and everyone else feels that the houses have done wonderful work in view of the conditions that have existed, and as stated before there is no intention to criticize what has been done. In the meantime I have taken your side of the situation up with every one here and we are all going to turn over a new leaf and will be just as considerate as we possibly can and if it looks like we are riding you too hard at any time please be a little patient with us as we don't mean any harm by it. We are all working toward the same end and that is to try and put over a big successful year.

With kindest regards, I am,

Sincerely,

(Signed) G. C. S.,
Vice President Cudahy & Co.,
(Guy C. Shepherd, Chicago.)

And at the beginning, that is February 12, 1918, some few weeks ago, Cudahy issues a statement in the newspapers in which he stated that notwithstanding the regulations of the Food Administration they had succeeded—I can only give you the substance—in making very large profits and that their success was phenomenal—incidentally they are willing to sell some stock.

Senator GRONNA. They use the word "notwithstanding"?

Mr. HENRY. Yes, that is my recollection of it.

Senator GRONNA. Perhaps that is an unfortunate choice of words.

Senator NORRIS. Mr. Henry, was there anything in any of the investigations showing whether there were any relatives—sons or other relatives, of any of these large packers who were commissioned in the Army as officers, and then detailed by the Food Administration?

Mr. HENRY. I did not find anything while I was at work. I quit April 1. My impression is that the two Morrisses were drafted subsequently to that, Senator. They are 24 and 26 years of age.

Senator NORRIS. Did they go into the Army and become officers?

Mr. HENNEY. I really do not know.

Senator NORRIS. I did not know but what you did?

Mr. HENNEY. No, I did not follow that up. I know that their salary was increased in Morris & Co. from \$300,000 a year apiece in 1916 to \$500,000 apiece in 1917.

Senator NORRIS. You mean these boys?

Mr. HENNEY. Yes, but they are the heads of Morris & Co., these boys—the owners.

Senator NORRIS. What about the salary list I asked you about the other day?

Mr. HENNEY. That salary list the Federal Trade Commission has?

Senator NORRIS. You have not gotten anything new about that; you did not get it?

Mr. HENNEY. No. You see I am not officially connected with the Federal Trade Commission, but there is no doubt but what the Federal Trade Commission would gladly send down anything that the committee wants on this question I referred to.

Senator NORRIS. Right there, while I think of it, Mr. Chairman, I wish you would send to the Federal Trade Commission and have them send down this salary list of the packers.

The CHAIRMAN. Of the officers of all the five packers?

Mr. HENNEY. And in that connection might I suggest that you ask for the four demands that were made on Henry Veeder after I had left here, and after the Supreme Court had ruled on that search warrant question? Before I left the Federal Trade Commission I had outlined a plan that they should make a demand for him to produce, and then serve him with a subpoena *duces tecum* to produce certain papers which we knew of.

The CHAIRMAN. It is the copy of that demand you wanted?

Mr. HENNEY. It was made up after I left. I had suggested it, and they followed it, and they prepared it, and they made four demands on him; and when the first one was made it was for the Mann letters, and he declined flat-footed to give them to the commission.

The CHAIRMAN. State to the stenographer these four demands and what I would ask for in calling for them.

Mr. HENNEY. All you have to ask for, Senator, is for the demands that were made on Henry Veeder after the custody of the vault under the search warrant was released.

The CHAIRMAN. I am very glad to do that.

Mr. HENNEY. And the man who made the demands and the man who found that the files of Armour & Company had been taken out and away from there while the investigation was on—and that is an offense, by the way, Senator, under the Federal Trade Commission act, to refuse an inspection, and I suppose you can refuse by a fraudulent removal as well as you could in any other way—Mr. Buck is in Chicago, and I think the committee could get some very good information from him as a witness on that as well as on what happened in regard to that vault.

The CHAIRMAN. What are his initials?

Mr. HENNEY. I think I have them here; I can give you his address. It is Robert M. Buck, 5707 West Erie street, Chicago, Ill.

The CHAIRMAN. And he has information about these papers, you say?

Mr. HENEY. Yes. He had information about what occurred when the Federal Trade Commission—after the search warrant was released, or the custody of the vault was released—made the demands and tried to get to see these papers, certain papers they never did get. They never got the Mann letters, among other things. He is also the man who discovered that files had been taken from Armour & Co. at the time we were supposed to be examining their files and carried them over to the home of one of their assistant attorneys.

In regard to a traffic club wielded by Armour & Co. over the railroad—

The CHAIRMAN. I did not understand that.

Mr. HENEY. The traffic club wielded over railroads by Armour & Co. and by Swift & Co., I want to cite one example: The original stock yards at Fort Worth were operated by the Missouri, Kansas and Texas Railway. The Fort Worth yards were owned jointly by Armour & Co. and Swift & Co. Armour & Co. and Swift & Co. would not ship anything by the M. K. & T. because they were maintaining those yards.

Senator NORRIS. What yards?

Mr. HENEY. The Hodge yards.

Senator NORRIS. At the same place?

Mr. HENEY. Just a short distance from there, right there at Fort Worth, just a short distance from their yards. They were on the M. K. & T. road, and they had been before Armour and Swift yards were built, and Armour and Swift would not ship by the M. K. & T., because they were maintaining those yards, and told them—

Senator NORRIS (interposing). Let me get that. Under the law they would not have anything to say about it, would they? They would be required to ship to this other man?

Mr. HENEY. Who, Armour and Swift?

Senator NORRIS. I do not mean Armour; I mean the railroad.

Mr. HENEY. Oh, no, I am saying Armour and Swift would not ship on the M. K. & T., would not send their refrigerator cars over the M. K. & T.

Senator NORRIS. They wanted to punish the M. K. & T. because the M. K. & T. were shipping to some fellow who was competing with them?

Mr. HENEY. No, maintaining a stock yards in competition with the stock yards owned by Armour and Swift.

The CHAIRMAN. That is a very interesting point.

Mr. HENEY. These yards, known as the Hodge Stock Yards at Fort Worth, and the others were the Armour and Swift stock yards operated and owned by Armour and Swift. And so Armour and Swift punished the M. K. & T. for it by keeping the traffic away from them until they agreed to close up the Hodge stock yards and then they agreed that if they would close up the Hodge stock yards that they would give them a certain amount of freight, and did do it. They made an agreement in 1917.

Here is a letter relating to the subject. [Reading:]

CHICAGO, December 27, 1916.

Messrs. LOUIS F. SWIFT, and EDWARD F. SWIFT.

GENTLEMEN: Mr. J. L. HARRIS, general live stock agent of the Alton Railroad, reports that in conversation with Vice President Hale of the Missouri, Kansas & Texas Railroad in St. Louis, last Wednesday, the 20th, Mr. Hale was asking him to try to secure the Fort Worth packing house business for the

Missouri, Kansas & Texas and Alton route—and Harris told Hale that it was no use in trying to get the packers' business at Fort Worth as long as the Missouri, Kansas & Texas maintained a stock yards at the very gates of Fort Worth yards. Then there resulted a discussion of the matter, Harris says, and Hale finally told him if the packers still wanted the Hodge yards that he would bring it about so that they could have them, either by purchase or rental. He asked Harris to find out if the Fort Worth interests still wanted these yards.

I spoke to Mr. Dunham over the 'phone about it, and he said he would like to look the matter up and suggested that I send word back to Mr. Hale that we would take the subject up with him later.

This for your information.

A. R. FAY.

Fay is the representative of the transportation department, and this was individual letters taken from Swift & Co.'s files.

That showed that the vice president of the M. K. & T. Railway—

The CHAIRMAN (interposing). Was he ever here in Washington?

Mr. HENNEY. I do not know, Senator. I rather think he has been here a good many times.

The CHAIRMAN. I mean in connection with any war committees or food administration or railroad administration.

Mr. HENNEY. That I do not know. Now, when they offered to sell them, they thought they should do a little better than to buy them now. They had been trying to buy them, but when they found they were going to sell them to them and were so anxious about getting this traffic, then this letter was written. [Reading:]

CHICAGO, December 30, 1916.

Mr. R. J. DUNHAM,
Continental Commercial Bank Building,
Chicago, Ill.

DEAR SIR: It looks as though we might prevail upon the M. K. & T. R. R. to close the Hodge yards, if your traffic department and ours will unite in pressure on the M. K. & T. I believe this will be more desirable than for the Fort Worth stockyards to buy or lease them. Do you agree?

Please reply.

Yours, respectfully,

A. R. FAY.

And the man he was writing to was Armour & Co.'s man.

The CHAIRMAN. And this was Swift & Co.'s man?

Mr. HENNEY. Copies were sent to L. F. Swift and E. F. Swift.

Then a short time later Mr. Fay again saw Mr. Harris of the Chicago & Alton. It was apparently arranged to have Harris explain to Hale, of the M. K. & T., that if he wanted to secure a proportion of the packers' traffic for his road it would be advisable for him to arrange to have the Hodge yards closed. Mr. Fay advised Mr. Ellis, of Armour & Co., of this situation in the following letter. [Reading:]

CHICAGO, January 8, 1917.

Mr. F. W. ELLIS, Union Stockyards, Chicago, Ill.

DEAR SIR: Regarding the "Katy" Hodge yards at Fort Worth. I met Mr. Harris to-day; he goes to St. Louis to-night, and he is going to tell Mr. Hale that if he wants to stand in well with the packing houses at Fort Worth he will close their Hodge yards and the allow the "Katy" live stock to go through the Fort Worth Stockyards the same as all other Fort Worth lines do. Thus placing the M. K. & T. on a parity with other competing lines.

Yours, respectfully,

A. R. FAY.

That was written in Chicago to a party in Chicago?

Mr. HENEX. Yes. That was written by Fay to Ellis. Ellis is with Armour & Co. and Fay is with Swift & Co., and he was advising Armour of it. Armour and Swift could buy out the Hodge yards, all right, for their plants in Fort Worth, but they wanted the yardage for the stockyards company, because they owned the company and would get the profits from it.

Senator NORRIS. In other words, that was where they wanted the stockyards, as distinct from the packing establishment?

Mr. HENEX. Yes; they wanted the cattle in their stockyards, so they could get the profits of the yardage and the feeding in addition to having them a little bit closer to their plant.

Mr. Harris, the vice president of the M. K. & T. apparently decided to act upon the suggestion of Mr. Fay, because Fay wrote this letter. [Reading:]

MARCH 27, 1917.

Mr. F. W. ELLIS, *Union Stockyards, Chicago, Ill.*

DEAR SIR: Regarding the Hodge Stockyards, I have the promise of the "Katy" people that those yards will be closed and dismantled inside of three or four months.

Yours, respectfully,

A. R. FAY.

And copies went to L. F. Swift and E. F. Swift; that is, Swift notifying Armour.

This situation was further explained and corroborated in a letter written by Mr. Fay to Mr. Swift on June 20, 1917, as follows:

Mr. LOUIS F. SWIFT: Mr. Harris reports this morning that at an interview with Vice President Halle and Vice President Webb, both of the M. K. & T. Railroad, that Mr. Webb, the operating vice president, was given (giving) instructions to abandon and demolish the Hodge Stockyards at once.

This will do away with the competition we have had at the gate of the Fort Worth yards for all these years.

In consideration of this, Armour and ourselves have agreed to give the M. K. & T. our shipments on the fast train from the Fort Worth plant, Tuesdays and Thursdays of each week, as long as the rate and service via the M. K. & T. are equal to that of the other lines.

I feel quite sure you will be pleased to know that this competition is going to be discontinued.

I am sending a copy of this letter to Messrs. Dunham, Donovan, and Googins.

A. R. FAY.

Dunham was Armour's man; so that it was going to Armour. Donovan and Googins were Armour's and Swift's men, respectively, who were in charge of the stockyards at Fort Worth, is my recollection.

The CHAIRMAN. Do you know whether there was any complaint that the Katy yards did not handle the cattle with facility and promptness?

Mr. HENEX. No; there was not any complaint about that, Senator.

And, as a result of the closing of the yards, the M. K. & T. deliveries at the Fort Worth yards in October, 1917, showed an increase of more than 100 per cent over the same month in 1916, as shown by the following memorandum prepared by A. R. Fay for Edward F. Swift. [Reading:]

CHICAGO, November 5, 1917.

Mr. EDWARD F. SWIFT: Events are proving that we were right in believing that the M. K. & T. deliveries of live stock at the Fort Worth yards would

increase with the closing of the Hodge yards. I have asked Mr. Donovan to give me a monthly statement, comparing it with the year previous, in detail. It is as follows:

Week ending—	Cattle.	Calves.	Hogs.	Sheep.	H. and M.	Total.
1917.						
Oct. 6.....	117	11	20	9	46	203
Oct. 13.....	118	9	17	1	15	160
Oct. 20.....	115	13	20	2	46	196
Oct. 27.....	123	17	5	6	55	206
Total.....	473	50	62	18	162	765
1916.						
Oct. 7.....	41	9	26	2	6	84
Oct. 14.....	57	7	15	1	7	88
Oct. 21.....	43	4	26	2	8	79
Oct. 28.....	61	3	12	3	12	96
Total.....	202	23	79	8	33	349

A. R. FAY.

The CHAIRMAN. They were handled through stockyards, is that the idea?

Mr. HENEY. Yes, Senator, for the month of October.

Senator NORRIS. Before you leave that, has that evidence all been submitted to the Department of Justice?

Mr. HENEY. Yes, I think it has.

Senator NORRIS. How long have they had it in their possession?

Mr. HENEY. I have no personal knowledge on that. I know that they have the evidence relating to the packers. Now whether they have this particular evidence, I can not say.

Senator NORRIS. There is not any doubt, Mr. Heney, as a lawyer, but what there is almost conclusive proof of a violation of the Sherman antitrust law?

Mr. HENEY. No doubt in the world but what it is a clear violation of the Clayton Act, if it is not of the Sherman antitrust law, and its amendments.

Senator NORRIS. It seems to me their own evidence would convict them.

Mr. HENEY. Yes.

Senator NORRIS. Do you know whether the Department of Justice has taken any steps to prosecute them?

Mr. HENEY. I do not, except this, that I know there are two attorneys working on the matter for the Department of Justice.

Senator NORRIS. That is on this whole general subject?

Mr. HENEY. Yes, the whole general subject.

This bumping post is a product of the Mechanical Manufacturing Co., and the Mechanical Manufacturing Co. is controlled by the Swift interests, and the sales for the fiscal year ending March 31, 1918, of this bumping post amounted to \$249,715.60.

The point I make is that the correspondence taken from Swift & Co.'s files shows that it used its traffic influence to push the sale of this product to the railroads. The following letters are dictated by N. B. Higbie, of Swift & Co., and addressed to George L. Chatfield of the same company, will serve to show what I mean by that statement:

APRIL 14, 1915.

Mr. GEO. L. CHATFIELD: I noticed all along the Michigan Central Road that they are using some kind of a steel bumper. Would like to know if they have discontinued using the Elliss entirely and using only the steel and if there is not some way we can get them to buy the Elliss.

The CHAIRMAN. Is that the brass proposition?

Mr. HENNEY. This is the bumping post matter.

Senator NORRIS. The "brass" I think the chairman refers to is exhibited in making the demand. [Laughter.]

The CHAIRMAN. Yes.

Mr. HENNEY. That is signed by A. R. Fay, who was a traffic manager for them. Apparently there was some investigation by Mr. Chatfield, and he replied to Higbie's inquiry to the effect that he had been advised by a representative of the Michigan Central Railroad that no new bumping posts had been bought by his company for some time, but that he thought some would be needed soon, and the letter on the subject is as follows:

MAY 4, 1915.

Mr. N. B. HIGBIE,

Fourth floor, office.

DEAR SIR: Replying to your note of April 14, and referring to conversation with you regarding bumping posts on the Michigan Central Railroad, wish to advise that I have been checking up this matter and have not been able to get as much information as I would like, but it is evident from what I have that they have been buying a number of Gibraltar, Hercules, and Buda bumping posts. Also understand they are fitted up at their Jackson shops for making repairs for our bumping posts, some of which have been in service a number of years. Have not been able to learn that they have made any complete posts. I am also advised by one of their representatives that they have not bought any new posts for a long time but he thought they would need some within a few months. I am taking this matter up with Mr. A. R. Fay.

As to the bumping posts on the Illinois Central—their business runs about even, and I have been assured by their purchasing agent that we are getting all of their business and have not been buying any other posts.

Yours respectfully,

GEO. L. CHATFIELD.

The CHAIRMAN. Was the implication in that other letter there that these packing houses thought the bumping posts ought to be repaired in the packing-house shops by them instead of the railroad maintaining its own repair shops?

Mr. HENNEY. I do not know whether they did or not.

The CHAIRMAN. It was not right clear.

Mr. HENNEY. It looks to me as if they did have some such idea as that, that is the difficulty that the small packers who have tried to operate refrigerator cars ran up against, of repairing the cars, which was so expensive where they had to have it done by some railroad or else by the big packers that it was prohibitive.

The CHAIRMAN. And they did not make any bumping posts, either, did they?

Mr. HENNEY. Yes; they did. But it would require keeping large repair shops of their own and it would not pay with the few number of cars.

The CHAIRMAN. The little ones did not sell bumping posts either?

Mr. HENNEY. They did not sell bumping posts nor brass.

Mr. Fay seemed to be able to induce the Michigan to buy, because we have another letter here reading as follows. [Reading:]

CHICAGO, July 30, 1915.

File 568-ARF.

Mr. G. L. CHATFIELD.

Fourth floor.

The Michigan Central have promised that they will purchase Ellis bumping posts, and that they will buy more (more) posts in the next year on their line than they have in the last 10 years.

A. R. FAY.

As I said, A. R. Fay is the traffic man. Then at the left appears "Arfrb dept.," and under that "Copy H. A. C."

The CHAIRMAN. Does Fay only handle bumping posts, or does he handle traffic?

Mr. HENNEY. Fay handles traffic and Fay was just asked in as a sort of an amicus curiæ.

The CHAIRMAN. That was a sort of a "potential contract." [Laughter.]

Mr. HENNEY. Yes; Senator.

Senator NORRIS. Do you know anything about profits?

Mr. HENNEY. Profits?

Senator NORRIS. Yes; on these bumping posts.

Mr. HENNEY. Yes; I am going to show you the profits. I gave you the total amount on sales for that year, but I will give you the profits of this company, Senator, and they are startling.

Here is a letter along the same line:

"Care of R. A. Stearns" it is headed. [Reading:]

Personal.

File 301-ARF.

MAY 21, 1914.

Mr. F. B. HOUGHTON, F. T. M.,

A. T. & S. F. Ry. Co., Chicago, Ill.

DEAR SIR: We are in the packing house business, as you have perhaps heard, and manufacture all kinds of meat supplies, among them Premium Hams and Bacon; than which there is no better. We are successful in selling many railroads more or less of their supplies of this class of goods, and we have quoted Mr. Harvey a great many times, but never got any business from him. If we treated the Santa Fe the same way Mr. Harvey treats us, on our shipments, the Santa Fe would not have any of our business.

Morris was getting all of the Harvey business, and still gets it, I think.

The CHAIRMAN. Who is writing this?

Mr. HENNEY. This is from Fay, the traffic manager of Swift & Co.

The CHAIRMAN. And addressed to some one connected with the Santa Fe?

Mr. HENNEY. Yes; it is addressed to the Santa Fe, to Houghton.

The CHAIRMAN. It sounded like a hint there. [Laughter.]

Senator FRANCE. That is what we know in Washington as "coordination between the various departments"—the traffic department and the sales department.

Mr. HENNEY [reading]:

Our people are restless over this situation. We would like to supply the first-class roads of the country, because we make first-class goods, and we don't like to be in the position of not supplying the Santa Fe a fair share of our goods. I think you can realize the feeling of our people, and they can't

understand why I can not get you to have Mr. Harvey give us a fair show at the ham and bacon business.

It is up to you to help me out of the embarrassing situation in which I find myself. Please reply.

Yours, respectfully,

SWIFT & Co.
Per A. R. FAY.

The next one is dated March 3, 1915, and addressed to Houghton, and it is from Fay also. [Reading:]

Thank you very much for your letter of introduction to Mr. H. L. Benjamin of the Harvey Company. Mr. Stearns, the head of our Hotel and Dining Car Supply Department and I were in Kansas City on Monday; but Mr. H. L. Benjamin was under the weather and not available and we saw Mr. David Benjamin and presented your letter to him.

We regretted to find that there was very little prospect of our being able to do any business with the Harvey people. I explained to Mr. Benjamin that it was the practice of all roads, East and West, to use their purchasing power with shippers to secure traffic; all of which, of course, is a perfectly legitimate and legal basis, and that the Santa Fe was at a disadvantage in this respect unless his concern gave some consideration to the shippers via the Santa Fe System. He emphatically told me that this would not cut any figure with him. The most I could get him to do was to write to his man in Chicago to give us some consideration—I don't know whether he did this or not. I told him that I thought it was only fair that at equal prices we should have the business part of the time. He didn't agree or disagree to this statement except to say that one of our competitors would have the preference at equal prices on the smoked meat and lard, because that competitor furnished the fresh meat under the contract.

The position that Mr. Benjamin takes I think is unfortunate both for the Santa Fe and for us.

Yours, respectfully,

SWIFT & Co.
Per A. R. FAY.

They did not succeed in getting it.

Senator FRANCE. That would all indicate some competition between the packers, would it not?

Mr. HENRY. Some competition about getting business?

Senator FRANCE. Yes.

Mr. HENRY. Yes, Senator, that is my understanding, that the packers' combination now is an agreement in regard to the purchase of the cattle, sheep and hogs. They each buy a certain percentage of all the receipts, and then they take care of themselves on selling, observing courtesy, however, of not shipping an oversupply to any market; and therefore they each have access to each other's plants, and go around once a week and check up before shipping into a city, and ascertaining how much the others have and what quality and grade of meat, and knowing the demand in the town, and knowing what they can bring in—

The CHAIRMAN (interposing). They do not divide the country into zones for the purpose of sale?

Mr. HENRY. Not any longer.

The CHAIRMAN. I was under that impression.

Mr. HENRY. They have omitted that, but they used to do it.

They are not changing the map much, though. As rapidly as one of the big five buys out a smaller concern, he thereby becomes entitled to take the additional percentage on receipts which that firm was buying, that independent, and also to sell in that territory; and the big five can only buy in the big stock yards where they had

been buying at the time the map was made, because there are letters showing that Wilson & Co., since Wilson became President in 1916, tried to buy hogs in Omaha, and Arthur Meeker wrote him very sharply about his trying to buy hogs there, when Sulzberger had never maintained a buying agency in Omaha, but had only surreptitiously bought through Red Murphy, a speculator, and then when they discovered Sulzberger was doing that, Sulzberger had promptly stopped, and he did not see how Wilson & Co. should now try to buy, based on that fraudulent contract of his concern in bygone years. You see that is a rather recent letter.

The letter just quoted was written in March, 1915, and Swift & Co., did get the business for the following September.

The CHAIRMAN. On the Santa Fe?

Mr. HENNEY. Yes, but they got it only by bidding $1\frac{1}{2}$ cents under the prevailing market price of bacon and 1 cent on ham. It is apparent from the correspondence that the Harvey Co. is operated separately from the Santa Fe Railway; they have a long contract with the Santa Fe, and they are quite independent of the railroad.

As to those profits you asked about, Senator; I have that here. There are six companies that I want to call attention to. The first is the Mechanical Co.; second the Southwest Mechanical Co.; third, the Independent Salt Co.; fourth, the Hygienic Ice Co.; fifth, the National Waste Co.; sixth, the Chicago Bearing Metal Co.

Senator NORRIS. Are those companies owned by the packers?

Mr. HENNEY. Yes.

Senator NORRIS. They are all subsidiary corporations of some one or more of the packers?

Mr. HENNEY. The corporation does not own the stock. It will be individuals like Swift and J. Ogden Armour, and so on.

Senator NORRIS. You say that is the way they are owned?

Mr. HENNEY. As to these, it is by the individuals; that is the way the rendering companies are owned in the different big cities, like the Globe.

Senator NORRIS. Do they have any trouble among themselves about dividing up this stock in these companies? Have they any understanding about it?

Mr. HENNEY. They do not seem to have any trouble at all. When they come to a division, they seem to go on the theory of the old beef percentages of 1902.

The CHAIRMAN. That shows persistence of habit, I suppose?

Mr. HENNEY. Yes. You see, for ten years down to 1902 they had been buying and selling meat on an agreed basis; they had the country divided into zones.

The CHAIRMAN. From when to when?

Mr. HENNEY. From 1893, to be exact, Senator, down in 1902, with the exception of one year in there, 1907, that they claimed there was a hiatus there of some sort caused by something, and Veeder testified to this under oath in 1912 in Chicago that he was the agent; that he maintained the whole floor office in an office building in Chicago, with the exception of two or three rooms occupied by his father. There were some eight or ten rooms.

The CHAIRMAN. And you think that might be true, anyway?

Mr. HENNEY. Yes, and they had penalties for a man shipping more than his allotment to a city to any one of the packers, and those

penalties were paid into Veeder, they kept check on the whole thing, and they met every Tuesday afternoon at 2 o'clock; and in 1902, when they stopped, it was when they started to merge all the packing companies in the country by buying them up with a loan of \$60,000,000 by Kuhn, Loeb & Co. You heard me explain that, Senator.

Senator NORRIS. When Veeder got a penalty from Cudahy, for example, he would divide that up among the other packers?

Mr. HENRY. He would give it to one who was shorthanded that shipment, or injured by it, and then from the time the National Packing Co., was organized at the end of 1902, the meetings again continued for ten years and exactly the same people met in exactly the same office, at the same hour on the same day, Tuesday afternoon, as directors of the National Packing Corporation.

The Mechanical Manufacturing Co. controlled the Swift & Co.; practically very share of the \$57,500 capital stock is owned by members of the Swift family. It was incorporated in 1889 to manufacture various mechanical devices, chief of which is packing house machinery.

One very profitable produce manufactured by this company is the Ellis bumping post, which is sold to railroads and industrials throughout the United States. For the fiscal year ended March 31, 1918, the net sales of this product alone amounted to almost \$250,000. I do not know that I can give you the net profits of that particular thing, because that company deals in other products.

The net sales of all products during the same period amounted to three-fourths of a million, one-third of which they received from Swift & Co. for packing house machinery purchased by it; the other quarter million dollars was sold outside.

The Ellis bumping post has been a profitable product for a great number of years, and the railroads still purchase these posts in large quantities, even though they are somewhat antiquated, and do not compare favorably with later patents on bumping posts.

The Mechanical Manufacturing Co. has had striking financial success. During the year ending March 31, 1916, a dividend of 75 per cent on the capital stock was paid and almost \$40,000 in addition was carried to surplus. The next year a dividend amounting to 150 per cent of the capital stock was paid and over \$80,000 carried to surplus. For the fiscal year ending March 31, 1918, the net profits amounted to \$323,166.48 which is almost 600 of the capital stock. Out of these earnings only \$43,125 was paid in dividends, and after \$133,487.44 had been deducted for income and excess profit taxes, there remained \$146,554.04 that could be carried to surplus.

Senator GRONNA. That was only an estimate, as I understand it.

Mr. HENRY. No; I think they have what was paid, for this was taken from the books as having been paid.

Senator GRONNA. The expert accountant we had before us yesterday gave it as his opinion that in figuring profits they would always deduct so much and set aside a certain amount for profits.

Mr. HENRY. That is true as to Swift & Co. proper, but this subsidiary concern, I am satisfied, Mr. — took from the books as having been paid.

Senator NORRIS. Right there, in connection with these subsidiary corporations: The Swifts in this corporation, I suppose, are the officers of the corporation?

Mr. HENRY. No, they usually have some employees as officers.

Senator NORRIS. Do you know anything about the salary that is paid in these subsidiary corporations?

Mr. HENRY. I do not know what it is.

Senator NORRIS. Well, if it is a salary, that would go to the Swifts, it would not be included in the salary lists to the packing institution?

Mr. HENRY. No, it would not. My recollection is that young Morris, besides getting this \$50,000 from Morris & Co., is getting \$25,000 a year salary from the Kansas City Stockyards, or one of the stockyard companies—I think it is the Kansas City Stockyards Co.—as a salary, and I think when he was drafted he put a man in his place who is an employee of Morris & Co., who is drawing the \$25,000, but it is undoubtedly going to Morris yet.

The CHAIRMAN. (After consultation with members of the committee.) We will now take a recess until 2 o'clock this afternoon.

(Thereupon, at 12.55 o'clock p. m., the committee took a recess until 2 o'clock this afternoon.)

AFTER RECESS.

The committee reassembled at 2 o'clock p. m., pursuant to recess.

STATEMENT OF MR. W. B. TAGG, OF OMAHA, NEBR., PRESIDENT OF THE NATIONAL LIVE STOCK EXCHANGE.

Mr. TAGG. My address is Omaha, Nebr., and I am president of the National Live Stock Exchange. I am engaged in the live-stock commission business at Omaha, Nebr.

At the meeting of our National Live Stock Exchange held in New York last May the following resolution was adopted:

That is the sense of the National Live Stock Exchange in its thirtieth annual convention, assembled in New York City, May 16, 17, and 18, 1918, that it is to the best interests of the live-stock producers whom we represent that all public stockyards should be divorced from all packing-house and railroad interests.

Senator KENYON. That the stockyards should be divorced from railroad interests?

Mr. TAGG. Yes, sir. At the time that resolution was passed a good deal of complaint had been made about the operation of stockyards controlled or supposed to have been controlled by passes. On my trip to the East to attend this meeting I stopped off at one or two markets at which the stockyards owned by the railroads, and the business men at those yards complained so bitterly of the service rendered by the railroad-owned stockyards that I asked to have that included in the resolution when it was brought before the national meeting for adoption.

Since our annual meeting in May, Congress, or President Wilson through Congress, provided for a system of supervision of the different markets. They have at most of the principal markets a market supervisor under the authority—under the direct authority of the Bureau of Markets. That plan has been in operation. I should say, several months. There is a difference of opinion among the members of our own organization as to what will produce the best results along the lines desired by that motion. Some of our members—and

when I say "our members," I mean at different markets—think that the desired results can be accomplished by good businesslike supervision on the part of the Government of all the activities at the market centers. Some of the others think that the packers and railroads should be divorced entirely from their control or their interests at the markets.

The Kendrick bill covers a great many points, and we did not get the corrected bill until last night. We looked over as well as we could during the short time we had, and we discovered—in the main I am for the Kendrick bill and the things that it proposed. I am in favor of a good businesslike Government supervision of all activities at the markets, and as a business man at the market I am perfectly willing to be bound by that supervision myself. I feel that it doesn't make so much difference who owns the stock in the stockyard companies if the Government has the supervision of all activities at the markets and has the power to publicly denounce any unfair practices that are put into effect by any interest there. In one or two places the bill, we think, should be amended. Just how I am not smart enough to say, but the thought occurred to us that if you separate the packer from any interest in the stockyard companies, for instance, there is no inducement for him to buy stock on the public markets, and he will go direct to the country to buy his cattle or hogs, and you will destroy or impair the public markets. That is a thing that should be, in our estimation, considered very seriously.

Senator KENYON. Did you suggest that to Senator Kendrick?

Mr. TAGG. Unfortunately we only got to see Senator Kendrick about five minutes, and this came up in our reading of the bill last night. We were of the opinion to-day that it would be better for us not to appear until we could see him and discuss these matters with him, but we are going to leave town to-night, and so I am merely calling these things to your attention, not as a criticism but as a suggestion that we would give to Senator Kendrick personally if he were here so that we could do so.

Senator NORRIS. Criticism is all right. Senator Kendrick won't object to that. He wants criticism and so do we, and don't hesitate to make it.

Senator KENYON. There is no divinity around this bill. We are trying to get something that will do the work, and we welcome criticism.

Mr. TAGG. Now, just one point along that line. At Sioux Falls, S. Dak., they have a live-stock exchange, and they have a stockyard company. They have two packers doing business there, and neither one of the packers buy any hogs out of the yards. They have no interest in the yards. They buy their hogs in the country direct, as they call it; why I don't know.

Senator NORRIS. Let us see how that worked out. Maybe we can eliminate stockyards everywhere. Of course, that would put you out of business, wouldn't it?

Mr. TAGG. We could find something else to do.

Senator NORRIS. You could find something else to do, if for the common good you have to go out of business. Now, how would that work? Suppose there were no stockyards, what would be the results?

Mr. TAGG. Then the logical conclusion you would draw from that would be that the buyers would go to the country and buy their stuff direct?

Senator NORRIS. Now, there are two people to be considered, the producer and the consumer. Would that make it better for them if it was done?

Mr. TAGG. It would make it better, possibly, for the consumer, but not for the producer.

Senator NORRIS. Well, then, it would have one good feature at least.

Mr. TAGG. If the public markets were done away with and the packers sent buyers to the country to buy their stuff direct, it is a cinch they wouldn't travel in pairs; each man would go out by himself, and he would probably have one buyer a day at his place, or one a week; whereas at a public market when a man goes in to sell his stuff he has competition. The buyers are all at the public markets, and if you had no public markets you would have no basis of valuation. It would be merely a guess on the part of the man in the country as to what his stuff was worth; while the man who went out to represent the buyer would be well posted. He would have the advantage.

Senator NORRIS. You think the stockman would not get as much for his stuff?

Mr. TAGG. I don't think he would.

Senator NORRIS. Well, now, what is your remedy? You want to eliminate the control of the yards from the packers, and yet you are afraid if you do that the packers will just go out in the country and buy their stock, and not patronize the stockyards.

Mr. TAGG. That is one thought that I wanted to bring to the attention of the committee in passing this bill.

Senator NORRIS. You think that stock would sell for a less price out in the country than it would at the stockyards?

Mr. TAGG. Yes, sir.

Senator NORRIS. Well, then, if there were any packers left to buy at the stockyards, they would pay a bigger price there than the packer would pay that went out in the country?

Mr. TAGG. Not necessarily, Senator Norris. The fewer buyers you had at the markets the lower the markets naturally would be.

Senator NORRIS. Yes.

Mr. TAGG. The less competition there would be there, and the packer who is buying in the country would naturally base his prices on the lowered price at the market.

Senator NORRIS. Well, you are aware that the packers claim they don't exercise any control over the stockyards that is arbitrary or detrimental. Now, if that is true, and they did not have any interest in it, why would they go out in the country and buy rather than to buy right there at the stockyards?

Mr. TAGG. They would buy in the country because they could buy cheaper.

Senator NORRIS. Why don't they do that now?

Mr. TAGG. They do in some cases.

Senator NORRIS. Well, they don't do that around Omaha?

Mr. TAGG. Yes, sir.

Senator NORRIS. To what extent?

Mr. TAGG. At Valley Junction, Iowa, they have a concentration point. They buy hogs and concentrate them and ship them through, I think, Boston. Cudahy has a concentration plant at Creston, Iowa, and I think they ship most of their stuff to Kansas City.

Senator NORRIS. Now, do they get them cheaper at the concentration points than they do at the packing centers?

Mr. TAGG. I couldn't say as to that. That is the supposition.

Senator NORRIS. They avoid paying commission by doing that?

Mr. TAGG. And the fill.

Senator KENYON. Well, if the farmer didn't get as much for his hogs at one of those places, he would ship them through the stockyards, wouldn't he?

Mr. TAGG. Most of the hogs that are sold at the concentration points are sold to arrive, I think, Senator. If you have a load of hogs out here to-day to ship, you call up their agent at Valley Junction, and he bids you on this load of hogs, if you are a regular buyer at that station. They have a regular buyer at a number of stations on lines close to them, and they will buy the stuff from these buyers on the basis of the market to-day and ship it down there and weigh it when it arrives. We claim that certain packers have had an unfair advantage in the matter of railroad rates. The Interstate Commerce decided it was not unfair, so we will have to fight that over again.

Senator NORRIS. You say that on your way to this convention that was held down there in New York City you stopped at several places where the railroads owned the yards. What were those places?

Mr. TAGG. At Buffalo, N. Y., I understand the yards are owned by the New York Central Railroad. They have one packer there, I think, is all, and it is not unusual for them to leave stuff laying in the yards that they can't sell.

Senator NORRIS. What packer is that?

Mr. TAGG. I couldn't tell you. I think it is Dole. I wouldn't be positive of it.

Senator NORRIS. Is it not one of the five big packers?

Mr. TAGG. No, sir.

Senator NORRIS. Are there any of the roads interested in stockyards except the New York Central?

Mr. TAGG. I don't think so. My understanding is, from the exchange members, there, that the yards are owned and controlled by the New York Central.

Senator NORRIS. Now, do they have rules and regulations that the stockmen don't like, and if so, what are they?

Mr. TAGG. It is the lack of service and the lack of facilities, and the lack of buying power there. But the principal complaint against the stockyard company is the lack of service and the lack of facilities.

Senator NORRIS. You mean then they don't have pens enough?

Mr. TAGG. They don't have enough, and they don't have the right kind.

Senator NORRIS. Is that complaint confined only to the stockyards that are owned by the railroads?

Mr. TAGG. I don't think so; it applies to others, too.

Senator NORRIS. And what has the railroad ownership of the stockyards to do with the question? It seems to me from your testi-

mony that that would be true there, whether the railroads owned the stockyards or whether they were otherwise owned.

Mr. TAGG. The point was that if you are going to divorce packer control because it is a bad thing, we ought to also divorce railroad control, because it was not any better—or at least the service at the markets—and that is what the producer is interested in more than anything else—the service rendered him.

Senator KENYON. But you have some control when the railroads own the stockyards—the terminals. You have control over them through the Interstate Commerce Commission.

Mr. TAGG. You would know better about how much control we would have than I would, Senator.

Senator KENYON. Just as a matter of law. There are a good many men, I know, who think—my mind is open on that question—that if you will make them railroad facilities so that the railroads have got to own the stockyards, just as a depot, a warehouse for freight, or anything of that kind, then there is control over them by the public authorities.

Mr. TAGG. Senator Kenyon, if the railroad control of the yard companies would be the same as the service given by the railroads in our country carrying live stock it would set the live-stock business back in this country 10 or 15 years.

Senator NORRIS. Has that condition existed only during Government operation, or was it true before the Government took over the roads?

Mr. TAGG. The service on the railroads in our territory—I think particularly of the Omaha territory—is slow, the live-stock service to and from country points to the market is slower now than it has been at any time in the last 10 years.

The CHAIRMAN. Enough so to be a matter of inconvenience?

Mr. TAGG. Enough so to be a matter of considerable loss to the live-stock producers.

Senator KENYON. Do the live-stock producers favor Government ownership of railroads?

Mr. TAGG. I can't say as to that, Senator.

Senator NORRIS. What I wanted to get at was whether this operation by the railroads, of the railroads, has been worse since the Government has had control of it than it was before?

Mr. TAGG. I would say that it was worse in the last six months than it has been at any time in 10 years.

Senator NORRIS. Does that come chiefly because of the lack of the speed of the trains—the stock trains?

Mr. TAGG. Yes, sir.

Senator NORRIS. Is any other item except that involved in the poor service?

Mr. TAGG. I think it is shortage of motive power with some roads; with other roads it is possibly a lack of stock cars; and on some roads it is a sort of a general let-down, it looks like on the part of the employees. I don't know that I would want to make it hardly that strong, but it looks like that sometimes.

Senator NORRIS. Has not the war interfered a great deal with the railroad companies in the operation of the railroads, by taking away a great many of their good employees?

Mr. TAGG. It has taken away a good many.

Senator NORRIS. Of course, that would let down the service some, and decrease the efficiency somewhat, wouldn't it?

Mr. TAGG. It naturally would, but in the last three months men have been coming back, a good many of them, from the war, and the service is getting worse. I think likely the real reason is the lack of equipment, lack of proper motive power, but in any event the service is so much slower that it is causing producers quite a large loss.

Senator NORRIS. Of course, speed is quite an item in getting stuff to market.

Mr. TAGG. Live stock; yes, sir.

Senator NORRIS. Because it is hard on the stock to ship it, and the longer you keep it on the trains and they go without feed and water, of course, it is a very serious objection if the trains are not running reasonably fast to carry stock to market.

Mr. TAGG. Points that used to get to market in 24 hours now have to stop and feed.

Senator NORRIS. Of course, that is a great loss.

The CHAIRMAN. Do you have in mind any instances where there are stockyards owned by the railroads?

Mr. TAGG. Yes; Buffalo, N. Y.

Senator NORRIS. How does that work?

Mr. TAGG. Poor, from what they tell me.

Senator NORRIS. He was telling us about that before you came in, Senator.

The CHAIRMAN. An instance was referred to here this morning, at Fort Worth, where the Katy owns the stockyards, and were compelled to dismantle them in order to get the freight—the packer. We have had no evidence as to how the service compared, as between the two.

Mr. TAGG. I would like to make one point clear that seems to me generally misunderstood by a great many people who are studying the live-stock situation, and that is the difference between the live-stock exchanges, the stockyard companies, and the packers. There are three separate and distinct organizations, so far as they are concerned, the packers interested in the buying of live stock and slaughtering it; the stockyard companies, who run the yards and provide hotel facilities, you might call them, for the handling of live stock; while the commission men or the live stock exchanges, which are composed principally of commission men, provide the system of trading and conduct the business affairs at the market. Live-stock exchanges have not got a thing to do with the stockyard companies, but they do regulate the commission men in the matter of making them live up to business agreements and treat fair with the public. Any time the live-stock exchange catches a man defrauding a shipper or purchaser on the market they promptly prosecute him. And we have expelled members for dishonest practices. Now, the Omaha Live-stock Exchange has no connection whatever with the stockyard company there, nor with the packers. We work in harmony on certain matters that are for the upbuilding of the market, but whenever we figure the service is not what it ought to be, we don't hesitate to notify them.

Senator NORRIS. Where do you get your offices?

Mr. TAGG. We have offices in the Exchange Building, and they all belong to the stockyard company. The building itself belongs to the stockyard company.

Senator NORRIS. Well, now in turn, the stockyard company is owned to a great extent by the packers, is it not?

Mr. TAGG. The records do not bear that out at Omaha, Senator Norris.

Senator NORRIS. Don't the packers have any interest in the stockyards at Omaha?

Mr. TAGG. They do. It is less than 40 per cent. You probably know just what it is.

Senator NORRIS. I don't remember now, but we have got it in the record somewhere.

Mr. TAGG. It is less than 40 per cent.

Senator NORRIS. With the packers owning 40 per cent in the stockyards, won't that mean that they would control them as they wanted to within any reasonable bounds?

Mr. TAGG. I have never seen that control unduly exercised. I have never seen it exercised at all.

Senator NORRIS. Then why did your association pass the resolution to divorce the stockyards from the packers?

Mr. TAGG. This was introduced by the member from Kansas City, and he can probably tell you his reasons for doing it.

Senator NORRIS. You favor that, don't you?

Mr. TAGG. I did at the time.

Senator NORRIS. Do you now?

Mr. TAGG. No, sir.

Senator NORRIS. You are opposed to it now?

Mr. TAGG. No, not entirely, but I think the results can be accomplished now by a good Government supervision; let the Government supervise the affairs of the markets, with power to discipline or to give publicity to any dishonest acts or practice on the part of the packer or anybody else. My point is, I don't think it makes so much difference who owns the yards if the Government has a hand in seeing that they are handled correctly.

The CHAIRMAN. Is it your idea that the present system is more efficient than it would be if the Government should own them?

Mr. TAGG. Yes, sir.

The CHAIRMAN. Do you think Government control is more effective than Government ownership?

Mr. TAGG. Yes, sir; Government supervision.

The CHAIRMAN. Why do you think that control would be more effective than ownership? If the Government can tell other people how to do it, can't the Government do it themselves?

Mr. TAGG. If you judge the future by the past and by the things the Government has taken hold of and is running lately—

The CHAIRMAN (interposing). That is the best way to do it.

Mr. TAGG. They have done two things when they took hold of a line of industry; they have raised rates and cut service.

The CHAIRMAN. But you think they could direct it in the hands of a private owner and make it more effective and satisfactory than the private owners themselves?

Mr. TAGG. I believe in Government supervision—strong Government supervision.

The CHAIRMAN. Do you think the Government should license stockyards and prescribe rules and regulations according to which they should be conducted?

Mr. TAGG. I believe that if the local live-stock interest, if the markets, were all put under Government supervision, a good safe businesslike supervision would likely give confidence to the producers in the country, more confidence than they now have in the public markets.

The CHAIRMAN. Is there a good deal of distrust on the part of the producer now?

Mr. TAGG. I haven't heard much of it except from the Southwest.

Senator KENYON. You had another suggestion about the bill, didn't you? Or did you make that while I was out?

Mr. TAGG. The other was in relation to concentration points. I mentioned that we had that up with the Interstate Commerce Commission. As we look at the bill, and we understand it right, it will allow the packer to concentrate and do the thing that he is now doing in the country, which we think would take him away from the markets and enlarge that condition.

Senator KENYON. Well, you have drawn our attention to those points and we can discuss it.

The CHAIRMAN. Now what suggestions have you to make? Enumerate the suggestions, if you have not already done so, that you think ought to be done by Congress to improve the situation as respects the exchange, or as respects stockyards, or as respects the packer.

Mr. TAGG. Provide Government supervision with a license system for all parties concerned, for all interests, with power to publicly expose any unfair or unjust practices, and power to punish them.

The CHAIRMAN. I think that is all, Mr. Tagg.

Senator KENYON. I think there were some other gentlemen here who wanted to be heard. If Mr. Ray is here, we would like to hear him.

The CHAIRMAN. State your name and address and occupation, Mr. Ray.

STATEMENT OF MR. S. H. RAY, OF KANSAS CITY, MO., REPRESENTING THE BUREAU OF MARKETS.

Mr. RAY. I am a representative of the bureau of markets at Kansas City, in supervisory work.

Senator KENYON. How do you get your information for your market reports, Mr. Ray?

Mr. RAY. We get it from the trade of the market.

Senator KENYON. Well, just how?

Mr. RAY. We send men out on the market and get the actual sales. That is the main procedure.

Senator KENYON. What do you do then, when you get the sales? Do you issue any bulletins?

Mr. RAY. Yes, sir.

Senator KENYON. By the Government?

Mr. RAY. Yes, sir.

Senator KENYON. You are working for the Government?

Mr. RAY. Yes, sir.

Senator KENYON. Well, how often do you get out these bulletins?

Mr. RAY. They are gotten out daily, except Sundays.

Senator KENYON. And where do you send those?

Mr. RAY. At the present time we are furnishing them to the telegraph companies, and they are distributed to any person that wants to pay the telegraph tolls for them.

The CHAIRMAN. Are there any persons who want to pay the telegraph tolls and take this service?

Mr. RAY. There are quite a number of them.

The CHAIRMAN. Could you name some of them?

Mr. RAY. Most all of the live-stock exchanges over the country, I understand; a great many shippers, producers, farmers' organizations, newspapers, are interested.

The CHAIRMAN. Now what you gather is the number of head of cattle, sheep and hogs, etc., that come into the market daily? Is that the idea?

Mr. RAY. Yes, sir; and the market price. Our representatives determine whether or not they are sold high or low, as regard previous days or previous weeks.

Senator KENYON. Whom do you get that information from?

Mr. RAY. We get it from all of the different parties in the trade, commission men, salesmen, and buyers.

Senator KENYON. You get it from the packer?

Mr. RAY. From the packer buyers.

Senator KENYON. And just what power have you to get information?

Mr. RAY. Why, I think we have complete power, as granted by Congress, to get that information.

Senator KENYON. Is it principally from the packers that you get this information?

Mr. RAY. No, sir; I am quite certain it is not principally from them, I expect it is the other way. We get it largely from the selling end.

Senator KENYON. Well, where do you get your information as to the receipts at the yards?

Mr. RAY. We get that from the railroads. We get the basic information and we make an estimate of what is going to come in, ourselves, our own representatives on the market.

Senator KENYON. Your own governmental representatives?

Mr. RAY. Yes, sir.

The CHAIRMAN. Do you say you make estimates? You make estimates in gathering actual statistics?

Mr. RAY. Well, it is pretty hard to determine just how many cars each road is going to bring in each day. They may or may not get in.

The CHAIRMAN. Well, do you try to determine it in advance, before they come in?

Mr. RAY. Yes, sir; by 6 o'clock in the morning.

Senator KENYON. What do you do as to the terminal railroads? Do you get any information out of them?

Mr. RAY. We do.

Senator KENYON. What particular one have you in mind that you get information from?

Mr. RAY. In Kansas City we have 13 roads coming in there, I believe, and we get information from all of them.

Senator KENYON. The terminals at Kansas City are controlled how?

Mr. RAY. I really can not say definitely. I think, though, that they are under the direction of the Railroad Administration.

Senator KENYON. Do the packers have anything to do with them?

Mr. RAY. I can't say whether they do or not.

Senator KENYON. Take it at Sioux City, where do you get your information there?

Mr. RAY. Well, it is only recently that we have had any service at all at Sioux City, and it is supervisory work that we are carrying on there. We very recently started market-news service at that point.

Senator KENYON. Do you get information at all from the stockyards companies themselves?

Mr. RAY. Well, we get some of our information from them, from their books and records.

The CHAIRMAN. Well, you have a check-up against the actual receipts? You check up your estimates after the day is over, against the actual receipts?

Mr. RAY. We do that every day; yes, sir.

The CHAIRMAN. Now, that information, you get that from the stockyards?

Mr. RAY. We get that from the stockyards companies.

Senator KENYON. Where does this information go? Whom do you send it to?

Mr. RAY. Well, the receipts, the estimated receipts, are sent all over the country. They are sent from Kansas City to Chicago and all other markets, and they are sent to eastern points.

Senator KENYON. And published in the papers?

Mr. RAY. Published in the papers; published on the bulletin boards in the lobby of the live-stock exchange, and the newspapers carry it.

The CHAIRMAN. Was there anything further, Mr. Ray? If you have nothing further, I think that is all. Are there any other witnesses further? I believe Mr. Houcks, of Kansas City, wishes to be heard.

STATEMENT OF MR. E. W. HOUCKS, OF KANSAS CITY, MO., PRESIDENT OF THE KANSAS CITY LIVE STOCK EXCHANGE.

The CHAIRMAN. Now, Mr. Houcks, you have been in attendance and you are familiar with what we have under consideration here, the stockyards, of packing houses, stock exchanges, and facilities for handling live stock generally. We will be glad to hear anything you have to say.

Mr. HOUCKS. I met Senator Kendrick yesterday afternoon, just a few moments before he left, and he gave me a copy of his bill. I had been very busy yesterday and had not seen him earlier, and I went over it in a hurried way, and I think for the most part it is along the line that we ought to have some legislation on. I have not gone into it far enough to give any suggestions, I think. I think the men who are getting this bill together will have it fixed.

The CHAIRMAN. Now, Mr. Houcks, what are the evils that ought to be remedied?

Mr. HOUCKS. Well, one of the great evils that should be remedied is the packer control of the stockyards. That is one of the evils.

The CHAIRMAN. Now, why is that an evil?

Mr. HOUCKS. Well, our Kansas City stockyards up to a few years ago were open to everybody. Later Morris acquired all yards, and we don't think, whether it is imaginary or not, that they are giving us as good service as we had prior to that time.

The CHAIRMAN. Now, in what respect?

Mr. HOUCKS. Well, in the first place they evidently have to make a good deal more money than they did before. They evidently paid what the yards were worth, and they are expecting to pay larger dividends, which would naturally, with the same amount of money, possibly reduce the service.

The CHAIRMAN. Are the charges higher? Is that it?

Mr. HOUCKS. No, sir; the charges are the same, I think. I don't think the stockyards company raised their charges, but their taxes on feed fluctuates according to the market. They have a contract or an agreement with the live-stock exchange that their charges shall be so and so, possibly 50 per cent more than the hay costs, or 50 per cent more than the corn costs, which would give them a profit for feeding it to us. And other things that they do in regard to cattle, and so forth.

The CHAIRMAN. Now if the charges are not higher, what is the other grievance?

Mr. HOUCKS. As I say, we have had greater receipts all the time. Our receipts this year were practically 50 per cent larger than the year before, and they have not added any more pens, and they have not really given as efficient service as we think they ought to give for what we pay. Of course their excuses are numerous. They talk about the inefficiency and war times and so forth and so on.

Senator NORRIS. To whom do you refer by "they"?

Mr. HOUCKS. The packers own our yards. They are controlled by Morris.

The CHAIRMAN. Is there some way that they can—they don't of course manipulate the price of cattle through the agency of the stock yards, or increase charges or anything of that sort. What I want to get at, Mr. Houcks, is how divorcing them would improve the situation, and I would be glad to hear you express yourself on that.

Mr. HOUCKS. Well, I think if they were divorced from the packing houses we would get—if the yards were divorced from the packing houses we could get more packing houses in Kansas City, which we sorely need. We certainly, six months of the year, are very short of facilities for handling our runs of cattle.

The CHAIRMAN. And other yards hesitate to come in with these owned by the packing houses?

Mr. HOUCKS. Other packing houses do. Independent packing houses can not get in there on equal terms, at any rate. They would have to forego the privilege of participating in the rendering plant and profits of the yard generally, which are very considerable. The stock yards are profitable; the rendering plants are profitable, and

if a packer comes there without any privileges he might be put out of business on the profits that they would get on these utilities.

The CHAIRMAN. Well, is it your idea, then, that they ought to be—that the Government ought to require the railroads to take them over, or else take them over itself?

Mr. HOUCKS. Well, Senator, I am opposed to the railroads taking over the stockyards.

The CHAIRMAN. Why?

Mr. HOUCKS. I don't think we would get any efficient service at all with the railroads taking them over.

The CHAIRMAN. Now do you think you would if the Government takes them over and operates them?

Mr. HOUCKS. I think it would be very much better than the railroads, as between the two. I would certainly say that the Government take them.

The CHAIRMAN. Now you think that the Government operation of the railroads during the last year has been better than the operation of the railroads under private management?

Mr. HOUCKS. Well, I am not prepared to state on that. So far as I am personally concerned I must say the Government has done wonderfully well during this war with the railroads. Our service in some respects has not been as good, but when you consider the volume of business they have done, I don't see how they could have done better. At the same time stockyards are a place to sell a commodity, and the railroads, I think, could not give as efficient service in the selling of that commodity as a private concern. I believe our stockyards under privately owned organizations are the best.

The CHAIRMAN. Do you think that there is any way on earth, Mr. Houcks, to have the stockyards owned by private concerns and at the same time safeguard them against packing-house control?

Mr. HOUCKS. I could not say. I don't know whether you could or not. I am at a loss to know just how far the Government can go in controlling packing houses. They have been investigating them for 30 years, and they are like the river to the sea, they go on forever; and I am not prepared to say to this committee what would be the solution. I know the condition is not what it should be; I know that the country at large is crying for relief, and I believe the American people are at a place where they are compelled to solve these problems.

The CHAIRMAN. What are your practical suggestions, your concrete suggestions, Mr. Houcks?

Mr. HOUCKS. Well, I would like very much to put the Kansas City stockyards back where they were when Morris took them. We got efficient service and we were satisfied with them.

The CHAIRMAN. Do you think that is a possibility?

Mr. HOUCKS. Well, I suppose it would be. I suppose it could be done.

The CHAIRMAN. Well, now, how; by trying to divorce the packing houses from the yards?

Mr. HOUCKS. I think so.

The CHAIRMAN. Is there any way—here is what I want to get at: Is there any way that the Government could be assured that there was no connection between whoever owned the stockyards and the

packing houses? Could you be sure that there were no subterranean gentlemen's agreements?

Mr. HOUCKS. It is a very hard proposition to solve, sir. I don't think that any ladylike regulation would do it. I think it should be a rather severe penalty for breaking over. I don't know what that would be. It is a very serious problem.

The CHAIRMAN. It is evident there—this much is certain, no matter what else is uncertain—that it pays Swift and Morris better to own them than it pays anybody else to own them.

Mr. HOUCKS. Absolutely.

The CHAIRMAN. So, if somebody else is required to own them, they must expect to realize less on their capital invested in that than something else. That is not quite an exact statement of it, but on the whole they must expect to realize less on their investment than Morris realizes on his investment in the stockyards, or is able to realize on the investment through the ownership of the stockyards.

Mr. HOUCKS. Morris controls the stockyards, controls the rendering plant, controls the banks around the stockyards, and this whole web of influence permeates the whole business.

The CHAIRMAN. That is the point. We are trying to unscramble the situation.

Mr. HOUCKS. I am free to confess, Senator, that I am at a loss to know how you will do it.

The CHAIRMAN. Do you think that through governmental control—if the railroads acquired them and then we had strict governmental control and supervision, might that attain the end?

Mr. HOUCKS. With Government ownership of railroads?

The CHAIRMAN. No; without Government ownership of railroads. If the railroads were turned back to the private owners, and the railroads are required to obtain, to get possession of the stockyards, then can the Government, you think, supervise them in such a way as to meet the difficulties?

Mr. HOUCKS. I am very much afraid the efficiency would be lacking—very much.

The CHAIRMAN. Now if the Government then should acquire and operate them, whether it continued to operate the railroads or not, do you think that would secure efficiency in management?

Mr. HOUCKS. It would be a better solution than to turn them over to the railroads, I should think. I have a great deal of confidence in our Government when it once gets in action.

The CHAIRMAN. Well, do you have confidence in its economy and efficiency in the conduct of business?

Mr. HOUCKS. I have yes. I think that the Post Office Department and other things that they have handled, they have probably done it just as well as private ownership.

The CHAIRMAN. Do you think they have done it as economically?

Mr. HOUCKS. I am not sure as to that. I don't believe any of them pinched as closely as private enterprise would do, but I think they have done the job pretty well. I am for my Government; I am not against them.

The CHAIRMAN. Well, that is a generalization that doesn't get anywhere, so far as solving the problem is concerned.

Mr. HOUCKS. When you were talking about economy, I don't know, Senator.

The CHAIRMAN. It is a question. Now you have got the balance here. Of course we generally assume that in efficiency and in economy the Government is generally inferior to private enterprise and management, and the question is when you weigh economy and efficiency on one side, and the desirability of getting rid of discrimination on the other, which way does the balance turn, weighing the advantages and disadvantages?

Mr. HOUCKS. I don't think I would be competent to answer that question. I don't feel that I would. I think it is too weighty a question for me to give an opinion on.

The CHAIRMAN. Would you be in favor of the Government acquiring and operating the packing plants?

Mr. HOUCKS. I don't think I would at the present stage of the game. I don't believe I would.

The CHAIRMAN. Why not the packing houses as well as the stockyards?

Mr. HOUCKS. Well, their functions are entirely different.

The CHAIRMAN. Yes, that is true, but is there any reason to think the Government could not administer a manufacturing establishment like a packing house as well as a place of purchase and sale like a stockyard?

Mr. HOUCKS. Yes, sir; I think so. The management of stockyards is not a complicated proposition at all, while the packing industry is one of the most complicated businesses we have.

The CHAIRMAN. I think that is true.

Well now, why do you think the railroads would not make a success of it if they acquired the stockyards and refrigerator cars, etc.?

Mr. HOUCKS. For the most part their functions are transportation; the stockyards is a market.

The CHAIRMAN. But aren't stockyards part of a depot for live freight?

Mr. HOUCKS. Well, I see they call it that. I didn't know it was that until I found it in this report, and I don't really construe it as a terminal. There are some pens there that you sell cattle out of. The railroads don't deliver nearly all those cattle and hogs from their terminals. I was in St. Joe a few days ago and they told me they were getting around 2,000 hogs a day from trucks and wagons around there, and we have many markets where a great percentage of the receipts are brought in separately from the railroads.

The CHAIRMAN. How was that, Mr. Houcks?

Mr. HOUCKS. For instance, at St. Joe, they have received 1,500 to 2,000 hogs a day from wagons and trucks that come in from the country. They are not terminals in that sense of the word; and there are other markets in the country that receive a great many of their receipts, aside from what they get from the railroads. I don't know that the railroads should be required to furnish that terminal. They might be, but I don't believe they should be. I think it is a market place, just like the grain exchanges.

The CHAIRMAN. Do you think the Government ought to own the grain exchanges?

Mr. HOUCKS. Well, I don't think they ought to. I think they ought to regulate them. I think they ought to have something to say about it.

The CHAIRMAN. Do you think the Government regulation of the stockyards might be made as effective Government regulation of the exchanges?

Mr. HOUCKS. I think the Government regulation of stockyards could be very efficient, if they would regulate them.

Senator NORRIS. How long have you been in the commission business, Mr. Houcks.

Mr. HOUCKS. I think, sir, 18 years.

Senator NORRIS. At Kansas City all the time?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. Are there any packers that own packing establishments except Morris, at Kansas City?

Mr. HOUCKS. Well, our yard at Kansas City is a Morris-controlled yard. The understanding is that they all participate in the profit. Now we just call them the Morris yards.

Senator NORRIS. Do the other packers have packing establishments there?

Mr. HOUCKS. Yes, the big five all have packing establishments there.

Senator NORRIS. Are the big five all represented?

Mr. HOUCKS. Yes, sir; and they all participate in the profits of the stockyards, and the rendering plant, and the facilities around there, including the banks, to an extent that they are stock controlled.

Senator NORRIS. Now, are there any packers located on the property owned by the stockyards?

Mr. HOUCKS. Yes, sir; there is one bank in the Exchange Building.

Senator NORRIS. Are there any others on the stockyards property?

Mr. HOUCKS. No, I don't think the Drovers National is on the stockyards property, but it is immediately across the street, 30 feet away, I should say.

Senator NORRIS. Is there a hotel on the stockyards property?

Mr. HOUCKS. No, sir; there is a restaurant on the ninth floor, but there is no hotel on the stockyards property.

Senator NORRIS. What is that building that you speak of the restaurant being on the ninth floor?

Mr. HOUCKS. The Kansas City Live Stock Exchange. That is where we do our business.

Senator NORRIS. Now, that is on the stockyards property and owned by the stockyards?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. The commission men have their offices in that building?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. Do you have an office in that building?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. And all the other commission men do?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. So that in the renting of offices you are really at the mercy of the packers, aren't you?

Mr. HOUCKS. Yes, sir; the stockyards company, which belongs to the packers.

Senator NORRIS. Of course the stockyards company is your landlord.

Mr. HOUCKS. Yes, sir; that is right.

Senator NORRIS. And the landlord of all the other commission men.

Mr. HOUCK. We use their offices and their pens and their facilities for the transaction of business.

Senator NORRIS. And you pay them a rental?

Mr. HOUCKS. We pay them rental for the offices, yes, sir. We don't pay for the pens.

Senator NORRIS. No, the pens are part of the stockyards.

Mr. HOUCKS. Yes, sir.

Senator NORRIS. And the stockyards officials designate what pens, for instance, you shall use, do they?

Mr. HOUCKS. Well, for the most part that is largely for convenience sake, so we can have our cattle in one place.

Senator NORRIS. If they wanted to, they could discriminate against you in that respect, couldn't they?

Mr. HOUCKS. Possible they could, yes, sir.

Senator NORRIS. Are there any other ways in which—I am not saying now that they do—are there any other ways in which they could discriminate or bring pressure to bear on you to compel you to be friendly to them, or otherwise?

Mr. HOUCKS. Well, they unload our cattle and hogs and sheep, and are supposed to deliver them to our pens. They also weigh these cattle after they are sold at the scales, their scales. We have the privilege of going along and watching them, and the privilege of furnishing the work to do that, which we do too. They yard these cattle after they are sold in the packers' pens, to the the country men, as the case might be, or whoever they are sold to. They perform that function.

Senator NORRIS. Well, when one of your clients' steers dies, or an accident happens to it so it does die, what is done with that?

Mr. HOUCKS. The rendering company, which is an adjunct to Morris—

Senator NORRIS. Well, are you under your contract with them required to sell it to them?

Mr. HOUCKS. No. We could sell it to anybody, but—

Senator NORRIS. Well, there is not anybody else there, is there?

Mr. HOUCKS. No. They have the contract with the city to remove dead animals.

Senator NORRIS. What kind of a contract do they have with you about the dead animals?

Mr. HOUCKS. Nothing. If we had anybody else to sell them to we could do it, and if there were another rendering plant there, we could sell them to that plant.

Senator NORRIS. Who fixes the price on these dead animals?

Mr. HOUCKS. They do that.

Senator NORRIS. So you sell to them at the price they fix?

Mr. HOUCKS. Yes; of course, we can object to what they set, and, if we can, we may get them to raise the price of their own accord.

Senator NORRIS. Is that in your contract, that you must sell your clients' stock to them at the price they fix?

Mr. HOUCKS. No.

Senator NORRIS. How is that brought about?

Mr. HOUCKS. It is brought about by the fact that they have eliminated competition. We are not under obligation to sell them, but, as a matter of fact, we have to.

The CHAIRMAN. There is no other market?

Senator NORRIS. You have nobody else to sell to?

Mr. HOUCKS. No.

Senator NORRIS. Now, that comes about because they control the stockyards, does it not?

Mr. HOUCKS. That is one of the influences.

Senator NORRIS. Yes; that is what I am trying to get at. Are there any other ways in which you might be intimidated—not that you are intimidated, but that you might be intimidated?

Mr. HOUCKS. Of, of course, if we would get crossways with the stockyard companies they might give us trouble. Otherwise, I do not think of any way, only by the actual conditions that happen. They might be able to discriminate against us, if they were inclined to.

Senator NORRIS. Well, you never find a commission man but what he was anxious to be on good terms with the packers, do you?

Mr. HOUCKS. Well, I don't think that; no. I am usually crossways with them when I go out to sell cattle to them. We try to get every cent we can for the customers' stuff, without regard to the packers. We fuss with them, and order them out of our alley, but we can not eliminate them, and they can not very well eliminate us.

Senator NORRIS. They know that when you order them out, I suppose.

Mr. HOUCKS. Yes; they know that. They know they can come back.

Senator NORRIS. Now, what does this rendering plant amount to? Are there many dead animals?

Mr. HOUCKS. Quite a few. A year ago we had a very disastrous fire in Kansas City, in which we lost around two million dollars' worth of stuff, cattle and hogs and sheep, and the rendering company had as much as they could do as long as they could keep the animals, and now in this cold weather we have had a great many dead hogs piled up and frozen; and, while I am on that, I want to say, in defense of what I have said, before I forget it, that about the time these dead hogs commence to come, piled up and frozen, the president of the stockyards company notified me that from that day they would pay \$2.75 a hundred for dead hogs. They did not come to me and say "Hides have gone down and fats have gone down and fertilizers have gone down and we are required to reduce this price," but they announced from that day on \$2.75 would be the price.

The CHAIRMAN. Had those things gone down, as a matter of fact?

Mr. HOUCKS. I can not say as to that.

The CHAIRMAN. You are just illustrating?

Mr. HOUCKS. Yes; I am illustrating how the rendering company—

The CHAIRMAN. On that, if you have the facts, we would like to know them.

Mr. HOUCKS. No; I have not the facts on that.

Senator NORRIS. They said they would give \$2.75?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. What had they been paying for dead hogs?

Mr. HOUCKS. Three cents for dead hogs, and for cattle, they would buy cattle by the head, giving anywhere from \$3 to \$5 or \$6 or \$8, according to what they said the hide and offal would be worth.

The CHAIRMAN. There is a good deal of profit on that?

Mr. HOUCKS. Yes. The exchange felt that the rendering company should have said something to us, and we called Mr. Merther's attention to it, the plant being altogether in Kansas—we are on the State line—and Mr. Merther agreed to take it up with the attorney general of Kansas; because a few months before that a Kansas concern, through the sanitary commissioner's influence, Mr. Merther's influence, had been before the exchange, and wanted to make a contract for an independent concern, to buy our dead hogs; and we told him we could not make a contract to sell dead hogs, but if they would start a rendering plant, we would be glad to give them an equal break; that is, we would agree to sell half the dead hogs in the yard, or start in and sell them all at a price they would fix; but the Standard Rendering Co., or Tom, Dick or Harry, would bid more; we were under obligation to our customers to sell them for as much as we could get, and we could not enter into a contract for five years with the rendering company that Mr. Merther thought could be organized.

He was commissioner of Kansas, understand, and he was doing this only to get more for the farmers in Kansas, through the Kansas Live Stock Association. But we could not do anything, because this company said to us that if we started in at 5 cents a pound for dead animals the Standard Refining Co. would at once put up the price to 10 cents and keep the price at 10 cents until they put us out of business, and then they would drop back again.

Senator NORRIS. And there is no doubt but what that is what would happen?

Mr. HOUCKS. Well, if I had been running the Standard Rendering Co., and wanted to put the other fellow out, that is what I would have done.

The CHAIRMAN. They could have done that anyway?

Mr. HOUCKS. Yes.

Senator NORRIS. Well, nobody went in. You have not known of any other concern going in under those circumstances, and undertaking to compete?

Mr. HOUCKS. No, sir. And they won't do it.

Senator NORRIS. Of course nobody will do it. Now, Mr. Houcks, if we would pass legislation that would divorce the packing interests from the stockyards proper, would you think there would be any danger of the packers going out in the country and buying their stock directly of the farmers or producers, and thus putting the stockyards out of business in that way?

Mr. HOUCKS. I hardly think so. I don't believe they would do that. They have that privilege now.

Senator NORRIS. Yes; but now they own the stockyards and make money out of all the stockyards.

Mr. HOUCKS. What I was going to say was that with the profits they are getting out of the stockyards, Armour & Co., who control the Fowler plant, that they took over from the International Packing Co., are buying their hogs very largely on the outside. They buy them out in the country, and they get somewhere from 8 to 12 per

cent of the whole receipts of Kansas City shipped directly to their yards.

The CHAIRMAN. What concern?

Mr. HOUCKS. The Fowler Packing Co., an adjunct of Armour. Armour inherited that from the International Packing Co. And so, the packers do go out in the country and buy. Wilson & Co., for instance, went out in the country last year when cattle were high and bought fifteen or twenty thousand from the farmers. They have their buyers out all the time, on the western coast, and they buy in the great southwestern country, and in old Mexico, or did during peace times, and ship directly.

Senator NORRIS. When they do that, do they pass through the stockyards?

Mr. HOUCKS. Not necessarily. If the customer does not require them to go to the stockyards, they do not necessarily go through the stockyards. They can be bought by the head, or go direct, as the case may be.

Senator NORRIS. And shipped directly to these packing houses?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. Do you know anything about the packers requiring anyone who goes into the business to sign a contract that all their stock shall go through the yards?

Mr. HOUCKS. Well, I do not. I know that the Fowler hogs do not go through the yards.

Senator NORRIS. Now, Mr. Houcks, of course if we take control, or, assuming that we can and do take control, of the stockyards, away from the packers, we have to provide some other machinery; and the committee is anxious to get the ideas of experienced men as to what that could be. You have gone over that pretty fully with the chairman, however. But, you must realize that you leave us in rather a poor condition, when you say that the present method is quite objectionable, but you do not have any concrete suggestion to make as to what shall take its place. Now, I want to ask you this: There are those who advocate that this Government control should be had, which they advance as a remedy for the situation, without interfering with the packers' ownership; that the control should be vested in the Government, and that the proper place where it should be vested would be in the Agricultural Department, in the Bureau of Markets. What would you think of that kind of control?

Mr. HOUCKS. First, let me say that I do not believe any of the exchanges would object to Government control. I do not know of any objection to that. I do not believe anybody would object to Government control. They realize that something must be done. The minute the Government took control of that situation, I believe more packing houses would come to our market in Kansas City. We are in sore need of more packing houses.

The CHAIRMAN. May I ask a question right there, Senator Norris?

Senator NORRIS. Certainly.

The CHAIRMAN. What would the advantage in that be? Do you think that would react favorably on the price paid to the producers?

Mr. HOUCKS. It would, because it would create more competition.

The CHAIRMAN. Do you think that is a factor, or is the demand that comes from all the packing houses a factor?

Mr. HOUCKS. Of course they would both be a factor. Of course we get more receipts in Kansas City than the five big packers can consume.

The CHAIRMAN. Is it your idea that these new packing houses would pay more for their stock to the producers, and compete?

Mr. HOUCKS. There is no doubt they would compete. Fifteen or eighteen years ago, you would go out in the Kansas City stockyards in the morning and you would probably have 15 or 20 buyers to compete for the receipts. We did not have more than half as many receipts then, and every independent concern in the country kept a buyer there, and every New York concern kept a buyer there, and the New York butchers were represented, and the St. Louis Dressed Beef Co., and the Morell Packing Co.—

The CHAIRMAN. And they are not there now?

Mr. HOUCKS. They are all absorbed.

The CHAIRMAN. The suggestion is that you would get a better price for the producer. That is something definite, and that would be a real advantage, if that were the effect. Of course, the mere building of the packing houses might help the neighborhood and the real estate in the vicinity, but we want to do something that will go further than that, either help the producer in a favorable reaction in the price of cattle, or else help the consumer in a favorable reaction in the prices what they buy at.

Mr. HOUCKS. If we had more packing houses, we will assume they would kill more cattle, and buy in the market in competition; and every time you get another bidder you are supposed to get more money.

The CHAIRMAN. Now, you may proceed with your examination, if you will, Senator Norris.

Senator NORRIS. Let us follow that a little further. You get a new packer, who competes in the buying market, who later on becomes a competitor in the selling market, and that would help the consumer?

Mr. HOUCKS. Yes; certainly.

Senator NORRIS. And he would come in competition in that sale, and hence there would be more competition for the consumers' benefit.

Mr. HOUCKS. That is the life of trade, whether you are buying or selling.

Senator NORRIS. Yes. It can be tacked on to both ends of this proposition?

Mr. HOUCKS. Yes, sir.

Senator NORRIS. You did not quite finish answering my question when Senator Gore interrupted about the Bureau of Markets. Would you think the Bureau of Markets would be a good bureau of the Government to take control of the stockyards, as far as the Government would authorize control?

Mr. HOUCKS. Well, now, Senator, as I understand, the Bureau of Markets are now licensing the packers, and they are licensing the commission men, through the Food Administration. I am not familiar with the details of that, but I am confident that the mere licensing of stockyards and packing houses is not far enough—would not go far enough.

If the Bureau of Market's power could be extended to where they would give some kind of control or supervision, if it was real control and supervision, it would evidently be very helpful. I know that men who would want to do business would not shy away from it anything like they would if they did not have any assurance whatever that business would be on the square. I am quite sure that the commission men, who represent the producers over the country, would be glad of something of that sort, something really as a relief.

The CHAIRMAN. Now, reversing the situation, how would it do, if we cannot divorce the stockyards from the packing houses, and thus deprive the packing houses of the profits that they derive from the yards, to go at it the other way, and require the packing houses to own the yards, and let every new concern that wants to come in and share the profits of the enterprise? We are feeling our way through the dark here.

Mr. HOUCKS. I do not know, Senator. I suppose it would be better than not having the packing houses. We need more packing houses.

Senator NORRIS. And would it not be true that, taking the history of the past, assuming that everything was to be done on the square, if they owned and controlled it, men would be pretty timid about putting in their capital to build a packing plant, for fear that history might repeat itself?

Mr. HOUCKS. I think so. The fact that packing industries have diminished in the last 15 years instead of increased is evidence that there should be something done to enlarge the packing interests.

Senator NORRIS. It is a good deal like your rendering proposition. A man would not go into it, because he would know they possessed the power to put him out of business?

Mr. HOUCKS. He knows he would be put out of business in that case, yes.

The CHAIRMAN. With the packing houses entering the yards, a packing house could only sell an independent packing house in the same vicinity, and rely on its stockyards activity during the famine caused by its self-denial?

Mr. HOUCKS. Yes; they could stand a small loss long enough to break the other fellow.

The CHAIRMAN. I think that is all, Mr. Houcks.

Mr. HOUCKS. I want to say one more thing that I forgot to say. Mr. Tagg spoke of the resolution offered in New York. He has just handed it to me. It was offered by me. We felt in Kansas City that we needed some relief along that line, and we introduced this resolution, and I will say that it carried unanimously. That is, there were no dissenting votes in the National Live Stock Exchange in New York against it. Now, Mr. Tagg thinks conditions have changed to some extent, and that this resolution would not be necessary at this time.

I want to say to this committee that the different live stock exchanges and commission men are not together on this thing absolutely. We differ among ourselves. Mr. Brown, of Chicago Exchange, differs from me, of the Kansas City Exchange, and, likewise, Mr. Tagg owns some of these things, and it might be a helpful condition that we did not all agree. So I believe this resolution would be in full force and effect, so far as Kansas City was concerned; and

I believe my statement in regard to the packing house interests and the railroads too would be our sentiment yet, and I just say that in defense of what Mr. Tagg said in showing that he did not quite agree on the matter.

The CHAIRMAN. I would like to ask one more question. If we required the railroads to take over and operate these stockyards, we would at least obviate one difficulty, and might not independent packers possibly come in and establish plants with assurance that they would be served through the stockyards?

Mr. HOUCKS. Yes; that would be so.

The CHAIRMAN. And that is the chief evil we are aiming at.

**STATEMENT OF HON. WILLIAM L. IGOE, THE REPRESENTATIVE
IN CONGRESS FROM THE ELEVENTH DISTRICT OF MISSOURI.**

Mr. IGOE. Mr. Chairman, I have asked for the privilege or right of appearing here because the public press a few days ago carried an item to the effect that a certain letter had been read before this committee, written by a man named McManus, representing as attorney some packers in Chicago, and in the course of which letter my name was mentioned, together with other members of the Judiciary Committee of the House of Representatives, of which committee I am a member.

The letter is the same letter that was printed in the press about a year ago, given out through the Federal Trade Commission, and at that time the matter was called to my attention, and I made a statement to the press, which was carried, at least in my home papers, and perhaps throughout the country. I have no copy of that letter here, but the statement in that letter is to the effect that certain members of the committee could be relied upon by the packers to defeat an investigation. That is substantially it.

I want to say now, as I said a year ago, that that is an absolute falsehood, as far as I am concerned.

I made that statement a year ago, and, to my surprise, this letter appears again, appeared the other day, and I did not know it had been given out until it was too late to get out a statement contradicting the impression that the article might create, that is, it was too late to get it out that same day.

Now, the fact of the matter is that while I am a member of the Judiciary Committee, there are three subcommittees of that committee. There are subcommittees numbered 1, 2, and 3; and I am not a member of subcommittee No. 1, which considered various Borland resolutions.

To show how false that letter is, I want to read a letter which I had the clerk of the Judiciary Committee prepare, addressed to me as follows:

COMMITTEE ON THE JUDICIARY,
HOUSE OF REPRESENTATIVES,
Washington, D. C., January 18, 1918.

HON. WILLIAM L. IGOE,
House of Representatives.

The records of the Committee on the Judiciary of the House show that the first Borland resolution for the investigation of the packers was House resolution No. 123, introduced on February 1, 1916, and referred to subcommittee No. 1. This resolution was superseded by House resolution No. 139, introduced

on February 14, 1916, and referred to subcommittee No. 1. That this resolution was superseded by House resolution No. 148, which was introduced February 23, 1916, and referred to subcommittee No. 1, before which subcommittee hearings were begun on April 3, 1916; that this resolution was superseded by House joint resolution No. 296, on August 15, 1916; that this resolution was, in turn, superseded by House Resolution No. 389 on December 6, 1916, which was also referred to subcommittee No. 1. All of these resolutions were introduced by Mr. Borland, and all were referred to subcommittee No. 1.

The records of the committee further show that on December 14, 1916, House resolution No. 389 was placed before the full Committee on the Judiciary and the minutes of the meeting of that day show the following entry:

"Mr. Igoe moved as a substitute for the motion by Mr. Walsh, that the resolution (H. Res. 389) be reported favorably, with the recommendation that it be adopted by the House.

"Mr. Volstead moved as an amendment to Mr. Igoe's substitute that the resolution be amended so as to make it a joint resolution.

"Mr. Volstead's amendment was lost.

"The vote was taken upon Mr. Igoe's substitute, and a division was called for. The vote was then taken by uplifted hands and the substitute was declared adopted by a vote of eleven in the affirmative to four in the negative."

The records of the Committee on the Judiciary further show that, at no time, have you been a member of subcommittee No. 1, before which these resolutions were pending.

Respectfully,

A. L. QUICKEL,

Clerk to the Committee on the Judiciary of the House.

Now, Mr. Chairman, this resolution never came before the full committee of the House until December 14, 1916, and upon that day it was voted upon and, upon my motion, it was reported favorably to the House.

Then, in the House itself, this resolution was placed upon the calendar, but it was never directly voted upon; but an appropriation was added to one of the appropriation bills, providing for this very investigation by the Federal Trade Commission, along the lines of the Borland resolution, and the vote in the House, a record vote, was taken February 28, 1917; and in the Congressional Record, at page 4527, the roll call appears, and among those voting in favor of the resolution you will find the name of Igoe, of Missouri.

Mr. Chairman, I have constantly supported these investigations. I voted for this investigation at every opportunity, and the statement made in that letter does me a great injustice. I come here much distressed and angry. A public man can not continually be following up these lies that are told about him.

This letter, I presume, goes in the record, because it is a part of it, and remains imbedded here forever, for everybody to see and spread around the country—a letter that says that I am favorable to a certain proposition, when the real record, which is open to the world, in the committee and in the House, shows to the absolute contrary.

The CHAIRMAN. I was not familiar with that letter.

Mr. IGOE. I want to say, Mr. Chairman, that it was published in the press of the country a year ago, and my statement was given at that time, calling attention to the record of the Judiciary Committee and the record of the House. You men in public life can imagine the feelings of a man who for the ten years of his public career has never had a word uttered against him, never a word said against him, reflecting against his honor or integrity or in any other way. That is rather remarkable, perhaps, because we are apt to be lied about at times; and I am perhaps particularly fortunate in that respect in not

having anything said or published against me, reflecting upon me, but I do not want the impression to go out that I am controlled or influenced by any interest in my actions or votes in the House, and I want to make it as emphatic as I possibly can. I do not suppose that this statement of mine will catch up with the other statement that has gone out, but I do want my statement to appear in the record of this committee, a statement to the effect that I stand here now to emphatically deny that I was ever opposed to this resolution, or ever was under the control of the packing industry; and, as far as Mr. McManus is concerned, I never saw him. If he was ever in my office I do not know it, and I do not know anything about him, and I am quite sure I never saw him; and nobody was ever justified in saying that I was opposed to such a resolution as this.

The CHAIRMAN. I can see how an unprincipled lobbyist might do such a thing.

Senator NORRIS. There have been a good many instances of that kind.

Mr. IGOE. Yes; I know of them. But this matter was gone into a year ago and here is the record.

Now, I want to ask this committee, in all fairness, if this letter is to go into the record, the letter that I have referred to as reflecting upon me, that, in justice to me, immediately following that letter there appear a statement of what the minutes of the Judiciary Committee show, and what the record in the House shows.

The CHAIRMAN. You would like to have this letter that you have read follow the other?

Mr. IGOE. Yes; and the statement that I have made here to-day before this committee, if you please.

The CHAIRMAN. I think that is only fair.

Mr. IGOE. I would like to have my letter incorporated.

The CHAIRMAN. I think that is a reasonable request.

Mr. IGOE. As the press carried it, I do not know what was said before the committee. A Mr. Heney is here, I believe, to-day. I do not believe I ever met Mr. Heney.

Mr. Heney said something that perhaps without an explanation might reflect somewhat on me, and that was to the effect that one of those mentioned had not been controlled. He added that in answer to some question, and that perhaps carried an inference that I had been controlled.

Mr. HENNEY. That was not my intention. It was not my intention to convey any such inference as that.

Mr. IGOE. Did you ever investigate the record for the roll call in the House, to see how the different men voted?

Mr. HENNEY. No; I did not.

Mr. IGOE. Well, in justice to the men mentioned, would it not have been a fair thing if you had done that?

Mr. HENNEY. Well, here is the point. This letter was produced with reference to two or three particular men, whom he had had correspondence with, and it was not possible to introduce that letter and eliminate your name or Mr. Gard's.

Mr. IGOE. You did eliminate the name of Mr. Gard?

Mr. HENNEY. I happened to know about Mr. Gard, and therefore mentioned him. If I had known about you I would have eliminated your name.

Mr. IGOE. Is there any Member of Congress, so far as you know, who has been more favorable to this resolution than I have. The record is the only way you can tell. I did not go to you privately, and I will tell you why. It was because a year ago, when this slander was presented in the paper, I understood the facts in the case had been presented to the Federal Trade Commission. That is all I knew about it. I say it does the Members mentioned, certainly myself, a gross injustice.

Now, Mr. Chairman, that is all I have to say, and I am ready to answer any questions that anybody wants to ask in regard to this matter. I dislike to come before a committee on a matter of this kind. Perhaps I should have gone to the House; but I have never risen to a question of personal privilege yet, and I thought perhaps the best thing to do would be to come right here to this committee, and make the statement I have made.

The CHAIRMAN. We are glad to have you come before us. I think a man's record and his votes are the best evidence in regard to such a matter.

Mr. IGOE. Since reading the letter, I would like to change the resolution number. It should be 123.

Senator NORRIS. You can just have that changed in the copy that is printed.

Mr. HENRY. As a matter of information, I might ask whether there was any other member of the committee who made a statement besides yourself in regard to the record? I mean before, when it came out.

Mr. IGOE. That I do not know. I will say that the newspaper men called my attention to it.

Mr. HENRY. My attention was called to it.

Mr. IGOE. It was carried by the press, certainly in my own city, and I hope that the Associated Press or the International News Service, or whoever else carried this item the other day, will carry the true situation, as shown by the record.

Mr. HENRY. I hope so too.

STATEMENT OF HON. T. H. CARAWAY, REPRESENTATIVE IN CONGRESS FROM THE FIRST DISTRICT OF ARKANSAS.

Mr. CHAIRMAN. If you will permit me, I would like to make a statement in reference to the same matter that Mr. Igoe has referred to.

Sometime last year there was an item carried in the newspapers that certain Members of Congress had been mentioned in the newspapers, the letter alleged to have been written by a man named McManus. My name appeared in that list.

I want to say that my sole connection with the matter was this. I am chairman of Subcommittee No. 3 of the Judiciary Committee of the House of Representatives, and have no connection with Subcommittee No. 1. The only time I was ever in the room when the investigation was being had before the Subcommittee was this. Ex-Gov. Montague, of Virginia, came to me and told me that Gov. Stuart, of Virginia—he—Stuart was the governor of Virginia, and I understand one of the largest growers of live stock in Virginia,

wanted to come before the committee to make a statement. He felt that he should not come voluntarily, and asked me if I would see that he was subpoenaed. I went into the committee room and procured a subpoena, and Gov. Stuart afterwards appeared before the committee and testified. Now, Mr. McManus is a man that I never saw, and I never heard his name until I saw it in the press. There is not a man that walks the earth that ever asked me my attitude in regard to this matter. The first opportunity I had I voted for the resolution. The record shows that I voted for the appropriation in the House. That was the appropriation that furnished the funds under which the Trade Commission investigated the packers. Then I found the investigation was known. The means of forming this was known and statement to that effect was published in the press.

I can not believe that anybody could repeat that slander without being conscious of the fact that he was repeating a falsehood. I voted for the resolution in the committee. I should be glad to file a statement from the chairman of the committee as soon as he recovers from an illness from which he is now suffering, showing this fact. I voted for the proposition the record shows.

That was my connection with the matter, and I never had any conversation with anybody about it, McManus or anyone else, who was opposing the resolution. I never discussed it with anyone except Gov. Montague, and that in the manner in which I have told the committee. Therefore McManus lied when he wrote I favored the packers.

I understood that Gov. Stuart wanted to testify against the packers. The records will disclose that he did have a complaint against them, and I was instrumental in having him brought before the committee, and I voted for the resolution on the first opportunity offered, and I voted for the appropriation. I think all knew that.

The CHAIRMAN. You voted for the resolution that embodied this appropriation.

Mr. CARAWAY. Yes, sir. We had a special roll call on that amendment. I voted for the Borland resolution and I voted for the appropriation in the House of Representatives.

The CHAIRMAN. I will say, Mr. Caraway, and Mr. Igoe, also, that I am certain that nobody connected with the committee or the investigation has any desire to reflect on any gentleman improperly or in any wrong light.

Mr. CARAWAY. I am sure of that.

The CHAIRMAN. And this is an unfortunate incident, and I can appreciate your feeling and the feeling of Mr. Igoe in the matter.

Mr. CARAWAY. If you will pardon me, here is the great injustice of it. The careless reader of newspapers, reading the first story, nearly a year ago now, may see this article reiterated with added names, and may get the impression that this is corroboration of the same statement given out last year. It will not appear to the casual reader that this is a rehash of the same falsehoods then made public; and I feel very resentful in regard to the matter. Inasmuch as those things are never evidence, it looks like the man who wrote the letter should have been brought before the committee, and let him testify. He will not say that he ever had any conversation with me or had any right to know what my attitude was on that matter.

I will be glad to answer any questions that anyone here would like to ask.

The CHAIRMAN. Senator Norris, have you any questions to ask?

Senator NORRIS. No, none.

STATEMENT OF MR. EDWARD C. BROWN, OF CHICAGO, PRESIDENT OF THE CHICAGO LIVE STOCK EXCHANGE.

Mr. BROWN. Mr. Chairman, and gentlemen, I can not add very much to what Mr. Tagg, who is president of the National Exchanges, which comprises all of the exchanges and all of the markets, has said. He is the officer presiding over the National Exchange, and I simply represent the Chicago Exchange; and am authorized by them to say that Government ownership, as applied to stockyards, would be a mistake, in their opinion.

We feel that it would be cumbersome, inefficient, and that politics would enter into the management of stock yards, which might have a tendency, and probably would, to raise prices on yardage and other stock yard charges, which would be indirectly a penalty on the producer we represent.

I talked three or four minutes with Senator Kendrick just before he went away yesterday. He handed us the corrected copy of his bill. I scanned it very hurriedly last night. This bill, in the main, I think is the best bill that has been presented to remedy the so-called difficulty that has arisen with stock yards. But there is an opening there which if the stock yards were put under Government—I will not say Government control, but Government ownership—would have a tendency to decrease the buying power in all of the large markets, because the packers would have no further interest in the stock yards.

The CHAIRMAN. You think the packers, then, ought to own the stock yards?

Mr. BROWN. I think that some packer is interested in practically all of the large stockyards.

The CHAIRMAN. Do you think that is a sound policy?

Mr. BROWN. I think it is a policy that so far there has been no suggestion to improve on. This bill certainly does not do it.

The CHAIRMAN. Well, is the present situation satisfactory to the members of the Exchange and to the commission men and to the producers?

Mr. BROWN. It is not satisfactory in its entirety to the members of the Exchange. I do not think it is satisfactory entirely to the producers.

The CHAIRMAN. Now, point out, if you please, in what respect it is not satisfactory, first, to the members of the Exchange.

Mr. BROWN. As a member of the Exchange, I think that stockyards everywhere, in their effort to increase dividends, have neglected some branches of the service, particularly the cleaning of stockyards, which indirectly reflects on the producer, particularly where the live stock has to be carried overnight, and where the steers and hogs have to lie in filth. That, we, as commission men, know will shrink the animal.

The CHAIRMAN. And in that respect it affects the producer?

Mr. BROWN. Yes, sir.

The CHAIRMAN. And affects the members of the Exchange how—merely as to your interest in the producer?

Mr. BROWN. Yes, psychologically. We, of course, want to see anything remedied if that will help the producer, and it would help the producer if these animals could be kept in pens so that their value would not shrink. The shrink on a steer now may be 50 pounds overnight, and that may amount to a \$9 loss.

The CHAIRMAN. Have you made a protest to the authorities controlling the stockyards to remedy that situation?

Mr. BROWN. Repeatedly; yes, sir.

The CHAIRMAN. And have they disregarded your protests?

Mr. BROWN. I have made protest, as president of the Exchange, and our board of directors have repeatedly protested against the lack of cleaning of stockyards.

The CHAIRMAN. Have you endeavored to get the Illinois Legislature to take hold of the matter, and compel the cleaning of the yards?

Mr. BROWN. I think that has been done in the past. I do not think the matter has come up since I have been president of the association.

The CHAIRMAN. How long have you been president?

Mr. BROWN. This is my second year.

The CHAIRMAN. Well, this is the first time that the Legislature of Illinois has met since you have been president, then?

Mr. BROWN. Yes.

The CHAIRMAN. If Congress has jurisdiction, do you think Congress should adopt a policy that would require better sanitation of the stockyards?

Mr. BROWN. I think Congress, through its Bureau of Markets, now could enforce better sanitation.

The CHAIRMAN. Is that the only grievance in the present situation, so far as you know, as affecting both the members of the Exchange and the producers?

Mr. BROWN. That is the main objection that I find, as complaints reach me from individual members of our Exchange.

The CHAIRMAN. What do the producers complain of as you understand?

Mr. BROWN. That is the main objection of the producer. The producer does not object to the charges of the stockyard companies.

The CHAIRMAN. They are regarded as reasonable, are they?

Mr. BROWN. Yes.

The CHAIRMAN. How long has this present ownership and administration of the stockyards existed—is it of long standing?

Mr. BROWN. The present management, I think, has existed approximately 20 years.

The CHAIRMAN. What was the situation before that?

Mr. BROWN. Entirely different from the present.

The CHAIRMAN. Well, was it better or worse?

Mr. BROWN. Well, I think that probably it was a little bit better.

The CHAIRMAN. In what respects?

Mr. BROWN. Coupled with this fact, that during the last 10 years the receipts of the stockyards have increased vastly.

The CHAIRMAN. Yes. In what respect was it better.

Mr. BROWN. I think the yards were cleaned oftener.

The CHAIRMAN. And that is the principal difference, is it?

Mr. BROWN. That is the principal difficulty we find, as commission men, and the principal objection from the producers.

The CHAIRMAN. And the charges have not advanced?

Mr. BROWN. The stockyards charges have advanced. They advanced in September or October of last year.

The CHAIRMAN. How much did they advance? What are the charges?

Mr. BROWN. The yardage on hogs is 10 cents a head, and on cattle I think they were raised from 25 to 35 cents a head.

The CHAIRMAN. Is there any serious complaint on the part of anybody that the charges are too high?

Mr. BROWN. No, sir; we have not had a complaint on that score.

The CHAIRMAN. Do you think it possible to divorce the stockyards from the packers, and leave both under private control?

Mr. BROWN. I think it would be possible, but I think it would be a disadvantage to everybody concerned.

The CHAIRMAN. Then you think the present system of unified control is better?

Mr. BROWN. I think it is better, because I think the minute you go into Government control you get into political control.

The CHAIRMAN. That is not quite the point. Do you think that if they were divorced and that the stockyards passed into other private hands, distinct from the private parties who own the packing houses, that would be a guaranty of any improvement?

Mr. BROWN. I do not think it would, because you would immediately limit the buying power. The buying power now is interested in the control of stockyards.

The CHAIRMAN. There would be no competition even then on the part of the stockyards which would inspire them to render better service or secure the business.

Mr. BROWN. I do not think there would be, and I think that prices would advance; that their yardage charges, and their hay charges, and so forth, would advance.

The CHAIRMAN. Now, I believe you stated your objection to Government ownership, that politics would insinuate itself into the situation.

Mr. BROWN. That is one reason; yes.

The CHAIRMAN. What would you think of the Government requiring the railroads to acquire and operate the stockyards?

Mr. BROWN. If the stockyards would not be operated any better under railroad jurisdiction than the railroads are operated, I think it would be an infinite disadvantage for them to come under railroad control.

The CHAIRMAN. As a rule, not speaking of the last year, because it was an abnormal year, has the railroad service been subject to complaint?

Mr. BROWN. The railroad service has been subject to complaint in the Union Stock Yards of Chicago for over 10 years.

The CHAIRMAN. In what way?

Mr. BROWN. The principal fault has been with the late arrival of trains of live stock, necessitating the stock being carried overnight, and resulting in a shrinkage in value.

The CHAIRMAN. Now, what would be the added objection if the railroads operated the stock yards? Of course that would have nothing to do with the arrival of trains. Is it your idea that the railroads would not put the stock through the yards as rapidly as the packers do?

Mr. BROWN. Well, the packers have not control of the putting of the stock through the stock yards; that is, as far as the train service is concerned. The objection in Chicago, so far as the train service is concerned, during the past 10 years, has been largely at terminals.

The CHAIRMAN. At their own terminals, before coming to the stock yards?

Mr. BROWN. Yes.

The CHAIRMAN. Of course I am not very familiar with the business; but in what way would the railroads likely be neglectful and impair the service, as compared with the present system?

Mr. BROWN. Well, from the standpoint of a commission man, the railroad would not be interested in protecting the buying of live stock at the stock yards. The packers are.

The CHAIRMAN. Well, is the producer?

Mr. BROWN. Is the producer interested?

The CHAIRMAN. Yes.

Mr. BROWN. The producer would be interested in any increase in the buying power.

The CHAIRMAN. I do not see how this reacts on the buying power at all. I would like to have you explain that if you will. It seems to me that the capacity of the packing houses is in no sense contingent on the question of who owns the stock yards.

Mr. BROWN. It would be a lack of interest on the part of the packers buying in the stock yards.

The CHAIRMAN. You mean they would buy somewhere else?

Mr. BROWN. Yes.

The CHAIRMAN. Explain that, if you please. I do not understand that.

Mr. BROWN. In my estimation, they would commence buying in the country to a larger extent than now.

The CHAIRMAN. That would affect the commission men, the members of the exchange?

Mr. BROWN. Yes; it would affect the commission men and the producer, because the producer would not get the competition.

The CHAIRMAN. Well, he could if he desired. It would not take away any competition.

Mr. BROWN. The packers do not go into the country in groups. For instance, if you have a herd of five cars of cattle the representative of Armour, Swift, Morris, and Wilson would not visit you in a group to buy that; there would be some one individual buyer, that would try to buy that stuff.

The CHAIRMAN. Now, do you think there is competition in the stock yards?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Between Morris and Armour?

Mr. BROWN. Absolutely.

The CHAIRMAN. Why do you say that? Of course, the charge is pretty generally made that there is no competition.

Mr. BROWN. Because I am a salesman, and I have received bids from eight or ten different packers that will vary from 25 cents to a dollar a hundred on the same consignment of stock.

The CHAIRMAN. On the same day?

Mr. BROWN. Yes, sir.

The CHAIRMAN. Are those offers in such shape as you could submit records of them to the committee?

Mr. BROWN. Yes, I think so. I think I could give that to you if I would have the opportunity of going over the figures when I return to Chicago, because I am actively selling stuff there myself.

The CHAIRMAN. So you think there is actual competition among them?

Mr. BROWN. I know there is.

The CHAIRMAN. You know it has been proven, or supposed to have been proven, that they parcel out the territory as to purchasing, and do not compete with each other?

Mr. BROWN. I have heard that there are such statements, that those statements have been made here; yes, sir.

The CHAIRMAN. As I understand it, the statements were made on records that were found in the offices of the packing houses.

Mr. BROWN. That has not prevailed in the Union stockyards since I have been selling stock there, since 1890.

The CHAIRMAN. There has been no such pact, that eliminated competition?

Mr. BROWN. No, sir.

The CHAIRMAN. Your point of view is not the same as the producer's, because the producer thinks there is such an agreement between them.

Mr. BROWN. Some producers do.

The CHAIRMAN. Do you not think the impression is pretty general among them?

Mr. BROWN. I think that largely obtains in the representatives of range cattle associations. I do not think that applies or had applied among the producers in the corn belt, where most of the stock is raised and fed.

The CHAIRMAN. Now, do you think that the plan of going out and purchasing cattle in the country by the representatives of the packers would prevail to any considerable extent, or would that only be in the vicinity of the packing houses?

Mr. BROWN. I think it would if they lost interest in their stockyards. The stockyards now are their baby. If they lost interest, whatever earnings they may have out of the stockyards, I do not think they would feel as friendly to the stockyards, or feel as friendly to buying stock in stockyards.

Senator NORRIS. Do you know what packers own the stockyards in Chicago now?

Mr. BROWN. I do not. All I know is the testimony that was developed by Mr. Heney at a recent investigation, at which Armour was said to have acquired an interest.

Senator NORRIS. Well, if Armour is the only one that has an interest in it, what would prevent the other packers going out in the country and buying stock, and why would they not do it?

Mr. BROWN. They do. Swift & Co. are doing it quite extensively.

Senator NORRIS. Do they buy in the Chicago stockyards?

Mr. BROWN. Yes.

Senator NORRIS. And they have no interest in the stockyards, have they?

Mr. BROWN. I don't know.

Senator NORRIS. Is Cudahy buying there?

Mr. BROWN. He buys very little in the Chicago stockyards.

Senator NORRIS. Does he buy out in the country?

Mr. BROWN. He is one of the largest buyers in the country.

Senator NORRIS. And ships in?

Mr. BROWN. He ships to Cudahy, Wis.

Senator NORRIS. Does he not ship into Chicago?

Mr. BROWN. No, sir.

Senator NORRIS. Does he not have a packing plant there?

Mr. BROWN. No, sir.

Senator NORRIS. Now, you say the complaint you have found from the producers of stock, or the principal complaint, is that they do not keep the stock yards clean?

Mr. BROWN. That is the complaint that is received in almost every live-stock market in the country—yes, sir; I think.

Senator NORRIS. Do they make any complaint about the price they have to pay for corn and hay and other feeds?

Mr. BROWN. Yes, sir; there have been complaints of that nature.

Senator NORRIS. Is not that almost universal?

Mr. BROWN. I think at times that has been universal, particularly during the last year or two, when prices for hay and corn have reached such abnormal figures.

Senator NORRIS. Do you know anything about the profit that the stock yards make on the hay and feed they sell?

Mr. BROWN. I have not seen any statement of that kind. I think they are obtainable by the Bureau of Markets.

Senator NORRIS. We have some of them in this investigation. Those that have been shown here were apparently—or at least, they struck me as being—something enormous in the way of profit that was made on hay and grain. We have them here for a great many years for the Omaha Stock Yards, both as to hay and grain.

Now, as I understand, to put it in a sentence, your theory would be that, while the stock yards are not model as they are now, yet you know of no way to benefit the situation; and so you say we had better take the evils we have rather than to run the chance of getting something worse?

Mr. BROWN. I think every interest, from the producer through to the consumer, would like to solve that, and I have not heard any sane suggestions from anybody that would improve those conditions.

Senator NORRIS. Then your idea is that, so far as this packer question is concerned, we had better let the stock yards alone just as they are?

Mr. BROWN. That would be my idea until some better solution was offered, and it has not been offered yet, to my knowledge.

Senator NORRIS. In other words, the present system is the best that has been proposed so far?

Mr. BROWN. I think, under the efficiency that the packers display in all departments, they are handling the stock yards, if they do own the stock yards—which I do not know personally—in a very

efficient manner, and I think the management of the stock yards at present is certainly infinitely superior to what it would be if it was divorced from their control.

The CHAIRMAN. Let me ask you a question right there, if you please?

Do you think that the packing houses, owning the stock yards and absorbing that profit, secure greater economy and greater efficiency in the administration of the two, making a unit of the two?

Mr. BROWN. I do.

The CHAIRMAN. Uniting the two processes?

Mr. BROWN. Yes; I think that could be demonstrated.

The CHAIRMAN. And that it is better for the packing houses to absorb the profits arising from the stock yards, rather than to have those profits go to an independent concern or set of individuals?

Mr. BROWN. I would not object to the profits going to an independent concern, if the independent concern would show the same efficiency as the packing houses, but I do not think they could.

The CHAIRMAN. Would it be possible for the packers to have powers that discharge the functions of the commission men?

Mr. BROWN. It would. I do not think they would have the confidence of the country.

The CHAIRMAN. And absorb those profits?

Mr. BROWN. That would be possible, but I do not think the country would wish to—

The CHAIRMAN (interposing). Do you think the packing houses and stockyards have the confidence of the country?

Mr. BROWN. Not entirely; no.

The CHAIRMAN. Then, that is not an argument, is it?

Mr. BROWN. Hardly.

The CHAIRMAN. If the packing houses, then, could establish a group system and handle the packing houses and handle the stockyards, and develop the function of commission men, would you then think that they might purchase cattle cheaper than they are purchased at present, and absorb those profits, too?

Mr. BROWN. That is something like the packers or anybody else trying to purchase all the corn crop or all the wheat crop.

The CHAIRMAN. It might be impossible, but I was just discussing the theory. It would be desirable if they could do it, it would secure greater efficiency, would it not?

Mr. BROWN. If that was the result and the consumer could get his daily food cheaper, I think it would be a desirable result.

Senator NORRIS. What do you mean by the buying power that the packers possess, and therefore one of the reasons why they should retain their control of the stockyards?

Mr. BROWN. The Chicago stockyards have a killing capacity of about 42,000 hogs a day, for instance, and during the times when the receipts equal or exceed that figure, the packers buy to their capacity. If through some legislation their interest in the stockyards was divorced in a compulsory way and they lost all interest in public stockyards, they could go to the country and buy this live stock, and they would not have the same interest in protecting the receipts at the public stockyards that they do at the present time.

Senator NORRIS. In that case there would not be any stockyards! Would not the stockyards go out of business if they did that?

Mr. BROWN. No; there is quite an independent buying power at the stockyards. At certain seasons of the year especially is this true, and eastern shippers and smaller dealers absorb from 8,000 to 10,000 cattle a day.

Senator NORRIS. Could not they buy in the same way that the packers did?

Mr. BROWN. Yes; they could.

Senator NORRIS. If they did that, if all did that, and all that interest were eliminated, and all the commission men eliminated, and the profit in hay and grain were eliminated, would not that result in an economy that would give the consumer more for his money?

Mr. BROWN. I don't think so.

Senator NORRIS. Well, if we eliminate the packers from control of the stockyards, you are afraid that the yards might go out in the country and buy direct?

Mr. BROWN. You mean the packers?

Senator NORRIS. The packers; yes.

Mr. BROWN. Yes, sir.

Senator NORRIS. That would have a tendency to eliminate the stockyards entirely?

Mr. BROWN. Yes.

Senator NORRIS. That would be a big saving if that could be done. would it not?

Mr. BROWN. It would be a saving of one-half of one per cent, possibly, as far as the commission men are concerned. The yardage charges are a bagatelle, and the loss to the producer in the competition he receives in the main public stockyards of the country would be a hundredfold more than the one-half of one per cent he would save and the bagatelle he would save on the yardage charges.

Senator NORRIS. But you go on the theory that there would be no competition in the country in buying the stock, and that may be right, too—

Mr. BROWN. I am inclined to think that certain packers would buy in certain localities. That would be my thought on the matter.

The CHAIRMAN. Although you do not think they do that now?

Mr. BROWN. They do not do it in the public stockyards.

Senator NORRIS. Well, you think they would be able to divide the country up in such a way so they would stay out of each others' territory?

Mr. BROWN. Well, I give them full credit for having all the ability in the world, and I know I could.

Senator NORRIS. Well if you were running a great big establishment like Swift & Co. and were out buying in your territory and there happened to be a shortage of stock before you went into the other man's territory, would you shut down your business in order to avoid that competition?

Mr. BROWN. I might, if I had an agreement with the other fellow to do it; yes.

Senator NORRIS. Well, of course. The question arises at once, would that agreement be profitable—to run it indeterminately—to keep it up?

Mr. BROWN. It would if they kept up the price of stock.

Senator NORRIS. But there might be a shortage of stock in some locality.

The CHAIRMAN. Why do you think they would agree not to compete?

Mr. BROWN. I do not think there would be any incentive to raise prices on this.

The CHAIRMAN. Why do they do it now?

Mr. BROWN. On account of the law of supply and demand.

The CHAIRMAN. But that law would not be repealed.

Mr. BROWN. But they would have a larger territory to cover.

The CHAIRMAN. But that would not produce any more cattle.

Mr. BROWN. I know that.

The CHAIRMAN. Then what would be the difference?

Mr. BROWN. Well, the point I tried to bring out and make clear to all of you was that there would not be the competition, because they would not go into the territory, whereas they do go into the open market now and buy.

The CHAIRMAN. You think that under this system they would do what a great many people think they do now?

Mr. BROWN. Yes.

The CHAIRMAN. Is there not the same incentive for these men to eliminate competition now as there would be then?

Mr. BROWN. I do not know. You mean in the public market?

The CHAIRMAN. Yes. I do not mean the same opportunity, but the same incentive.

Mr. BROWN. Well, in the public market their bids are known to everybody.

The CHAIRMAN. I understand; but that is not the point. Why can they not agree to make the same bid and eliminate competition in the stock yards, with the same incentive for doing so? I do not mean the same opportunity.

Senator NORRIS. Why could they not make different bids, and let one concern get the bid, and then prorate afterwards?

Mr. BROWN. They could do that, but the machinery of buying, where they might have 20 buyers in the public market, now, like Chicago, that would probably mean they would have to have 10,000 buyers in the territory tributary.

Senator NORRIS. You do not mean to say they would send men out to see the individual farmers, do you?

Mr. BROWN. Yes.

Senator NORRIS. In case they did that they would need an army of men, would they not?

Mr. BROWN. Yes.

Senator NORRIS. Would it not be true that they would buy of the dealers in the various localities, and that there would be in each locality several buyers of hogs and cattle and so on?

Mr. BROWN. There might be.

Senator NORRIS. That is done now to a great extent, is it not?

Mr. BROWN. There is a buyer in practically every town where there is any live stock raised, which practically is every town in the country, but he does not represent a packer.

Senator NORRIS. No; he is buying for a profit for himself.

Mr. BROWN. Yes.

Senator NORRIS. But the packers would buy of those fellows, would they not?

Mr. BROWN. They might.

Senator NORRIS. Do you not think they would do that, rather than go out in the country and buy? It would be almost an indeterminate job to do that, would it not?

Mr. BROWN. They do go into the country and buy cattle and hogs, as Mr. Houcks has told you.

Senator NORRIS. They know some man that has several carloads of cattle, perhaps; but in all the little towns where there are men who have only five or six hogs or two or three steers, or something of that kind, they are handled now, are they not, by the local dealer, to a great extent?

Mr. BROWN. Yes.

Senator NORRIS. I do not know of a little town in my country that does not have two or three buyers of stock.

Mr. BROWN. You are absolutely right.

Senator NORRIS. And if you find a town that only has one buyer, as a rule farmers are hauling their stock from the very edge of that town to some other town that has two or three buyers.

Mr. BROWN. That is very true.

Senator NORRIS. Now, this man that does the buying, buys it himself. He is not an agent for anybody, but he buys and sells it again himself.

Mr. BROWN. If the big packer went into that game he would have to have one buyer in every town.

Senator NORRIS. Well, if he followed the game you have outlined, he would have to have a dozen buyers in the vicinity of every town.

Mr. BROWN. Well, say a town like Adele, Iowa, which is a good example. There is no necessity of more than one or two buyers there. They can cover all that territory.

The CHAIRMAN. You say that the packing houses own the stock yards, and if the packers were deprived of that profit would withdraw their patronage and go to the country and buy.

Mr. BROWN. That is my thought; yes, sir.

The CHAIRMAN. Now, then, could not one or two or three or four packing houses that owned the stock yards and enjoyed the profits from the stock yards, could they not put out of business, or prevent from coming into existence, any other concern that could not share in the profits of the stock yards?

Mr. BROWN. They have not in Chicago.

The CHAIRMAN. Well, do you know whether they have or not?

Mr. BROWN. There are 8 or 10 packing concerns like that there.

The CHAIRMAN. Do you know whether they are interested in the stockyards?

Mr. BROWN. No; they are not.

The CHAIRMAN. What ones are interested, and what ones are not?

Mr. BROWN. The only one I know was developed by Mr. Heney, and that was said to be Armour.

The CHAIRMAN. The point I am getting at is whether you know whether they own a stockyard or whether they have a working agreement in regard to the stockyard.

Mr. BROWN. I do not. I do not know what the agreement is. I do not know whether it is among several packers or Armour owns it alone.

The CHAIRMAN. Well, we will assume that Armour owns his packing house, and that he owns the stockyards, and that he enjoys the

profits of the stockyards, and that nobody else does. Yet, if they were divorced from him, he would go to the country and buy, and these nine other concerns, who do not enjoy the profits of the stockyards now, would go to the country and buy if Mr. Armour did not enjoy the profits. How do you figure that out?

Mr. BROWN. Well, at the present time, the Chicago market receives receipts because of the interest the packers have in that market, or one packer, and the whole country feels that the Chicago market is an open market and can receive competition from 8 or 10 or 20 buyers.

The CHAIRMAN. But here is the point. You said if we were to divorce these stockyards from Armour that the packers would all go to the country, because Armour would lose the profit on the stockyards. Do you think your conclusion is justified?

Mr. BROWN. I think that would be the ultimate result.

The CHAIRMAN. Why is it that nine of those packing houses do not enjoy those profits now, and yet do not go to the country to buy?

Mr. BROWN. Very largely because, apparently, I think the packers, if anyone has any interest in any particular organization, they all seem to have a harmonizing feeling in the proposition.

The CHAIRMAN. That is the point, is it not—that harmonizing feeling?

Mr. BROWN. I think that is shown all over the United States, in all stockyards.

Senator NORRIS. Does not that indicate that the competition would be very fierce between men having that kind of feeling?

Mr. BROWN. I do not think that of necessity arises.

Senator NORRIS. If Armour owns the packing house in Chicago, and I own a packing house in Chicago, then Swift & Co. would not patronize them, but would buy their goods direct from the producer—why would not Swift & Co. do the same thing if Armour owned the stockyards in Chicago, unless he had more of a friendly feeling and was less inclined to compete against him than against me?

Mr. BROWN. I think that the packers, as a whole, would be very foolish if they did not have—almost every other line of industry has—a certain policy. They adopt that policy, and they follow it, and I do not attempt to say that the packers would not try to force a market lower if the conditions warranted it.

The CHAIRMAN. Now, then, if we should take some step that would make Armour part with his stockyards, you think that would send all 10 concerns scurrying to the country?

Mr. BROWN. I think they would be jealous of Armour going to the country and getting hogs lower than they could.

The CHAIRMAN. Would there be any reason for Mr. Armour going any more than these others?

Mr. BROWN. I think that is the policy they would adopt.

The CHAIRMAN. He would lose interest?

Mr. BROWN. Armour and the other packing companies.

The CHAIRMAN. But the other packing companies, I understand, have no interest—

Mr. BROWN. I don't know whether they have or not.

The CHAIRMAN. If they have an interest in the stockyards would it not render it impossible for a new concern to come in there that did not share in the profits?

Mr. BROWN. They could do that now.

The CHAIRMAN. Do what?

Mr. BROWN. A new packing house can get in there at any time.

The CHAIRMAN. Well, has there been any new one established lately?

Mr. BROWN. Yes; some smaller companies that did not amount to anything five or ten years ago have reached almost as large proportions now as the Big Five.

The CHAIRMAN. Who are some of them?

Mr. BROWN. The Independent Packing Co. has perhaps grown the most in the last five years. They can kill 3,000 hogs a day, whereas formerly they could not kill more than 500 a day. Besides the Independent there are Boyd & Lunham and Miller & Hart. They have all grown. They have more than doubled their capacity in most instances.

The CHAIRMAN. And has their growth been gradual, or has it been sudden during the war?

Mr. BROWN. I would say that it has been gradual—during the last 10 years. Of course, they have done an immense amount of business during the war.

Senator NORRIS. I would like to ask you if this is not true: that, notwithstanding the fact that Armour owns the Chicago stockyards, and Swift does not own any interest in it, is it not true, nevertheless, that for the last three years, or any one of the last three years, Swift has bought more stock in the Chicago market than Armour has?

Mr. BROWN. I think that is true. They have a greater killing capacity in the Chicago yards, the two packing houses that they operate.

Senator NORRIS. That has not been true, has it, that because a packing company does not own a stockyard that it boycotts it and goes out in the country and buys the stock?

Mr. BROWN. I don't know that that has been true; Swift & Co. have probably bought more hogs in the country than any other packer.

Senator NORRIS. And they have bought more in the stockyards, too, have they not?

Mr. BROWN. Yes, sir.

Senator NORRIS. In other words, they have bought stock everywhere?

Mr. BROWN. I think they have. I think their records show that.

The CHAIRMAN. Then, sizing up the situation generally, your only suggestion would be to clean out these stockyards a little better?

Mr. BROWN. Well, that is the suggestion that comes the oftenest to us from our customers.

The CHAIRMAN. Well, that is a very simple solution of a very difficult problem, is it not?

Mr. BROWN. Perhaps so.

The CHAIRMAN. Would it not be a good idea for you to turn the hose on these stockyards?

Mr. BROWN. That is what the stockyards would like us to do.

The CHAIRMAN. I think that you could afford to do that.

Senator NORRIS. He would not want a hose. He would want a manure fork.

The CHAIRMAN. If we had sluice enough you could wash it into a storm sewer. Is there anything further?

Mr. BROWN. That is all I have to say, Mr. Chairman.

(Thereupon, at 4.20 o'clock p. m., the committee adjourned until Monday, January 20, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

MONDAY, JANUARY 20, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

Committee met, pursuant to adjournment, in room 326, Senate building, at 10 o'clock a. m., Hon. Thomas P. Gore, presiding. Present: Senators Gore (chairman), Gronna, Norris, Kenyon, and Borah, jr.

Mr. NORRIS (presiding). We will hear Mr. Buckingham, of Nebraska, now, if he is ready.

TESTIMONY OF MR. E. BUCKINGHAM, VICE PRESIDENT AND GENERAL MANAGER OF THE UNION STOCK YARDS CO., OF OMAHA, NEBR.

Mr. NORRIS. Please state your name, address, and business.

Mr. BUCKINGHAM. My name is E. Buckingham, gentlemen, and I am vice president of the Union Stock Yards, of Omaha, Nebr.

Chairman, I asked to appear before the committee because this is to do with the public stockyards, with one of which I am connected, and, because I believe this committee is entitled to all the information it can possibly be given to enable it to properly consider the bill.

As to the actual workings of a large stockyard, where a live-stock is maintained, is probably less understood than almost any other public utility. Many people believe that the Stock Yards employ the commission men, and that it buys live stock for the shipper, and that it has, in a general way, control over the prices paid for the stock—such is not the case. The Stock Yards Co. simply provides the facilities and service for the accommodation of live stock from the time the railroads deliver the shipments at the market. When they pass into the possession of the shipper, feeder-buyer, or packer, in other words, it is simply the bridge over which live stock is passing, going from the railroads to the final buyer, whether it is a packer, who buys for slaughter, or others who buy to take the stock back to the country for feeding purposes or to ship to other stock-raising or killing plants.

As to the stock brought into the market by the railroads is, in some cases, sent to the unloading chutes by the railroads themselves.

CHAIRMAN. You are describing the methods of transacting business there?

Mr. BUCKINGHAM. Yes, I am.

The CHAIRMAN. Repeat that sentence.

Mr. BUCKINGHAM. I am trying to make clear the duties of a stock-yards company. I believe that it is less understood than almost any other business.

The CHAIRMAN. I wish you would take the cattle from where they are loaded on the train out in Wyoming and state the details of the process.

Mr. BUCKINGHAM. Will you let me continue my prepared statement, sir, and then afterwards I will be glad to give you any information which I can.

The CHAIRMAN. Repeat the last sentence, because I have just come in and I did not understand.

Mr. BUCKINGHAM. I said the live stock brought into the market by the railroads is, in some cases, set to the unloading chutes by the railroads themselves, but at some of the larger markets where the switching facilities are separate or owned by the Stock Yards Co., the cars are set on the transfer tracks by the railroads, and after inspection, as required under the interstate commerce safety appliance act, they are switched to the unloading chutes for unloading. The work of unloading is performed by the Stock Yards Co., who are paid for such service by the railroads. After the stock is set to the unloading chutes and before it can be unloaded, it is necessary for the Bureau of Animal Industry employees to check over all waybills before giving the Stock Yards Co. permission to unload the stock.

The CHAIRMAN. Is that after they have been driven out of the car?

Mr. BUCKINGHAM. After they have been driven out of the car into the chute; that is, they stand directly next to the car, do you not see?

Immediately after unloading the stock it is necessary to leave it in the unloading chutes until the Bureau of Animal Industry employees have personally inspected each load for scabbies or other diseases, after which inspection the stock is delivered to the owner or his representative, and then the transportation ceases, unless it is a shipment simply unloading for rest, feed, and water, in which case, after the length of time required by law, it is reloaded and delivered to the railroad that is to handle it on to destination, the railroad company paying for the switching in and out, and also for the unloading and loading. The feed is paid for by the owner either at the time of feeding or by being added to the billing as "back charges."

When the stock is for sale it goes to the pens assigned for sale purposes. The amount of feed ordered by the owner or his representative, the commission men, is fed the stock by the Stock Yards Co., and the commission men or their employees water the stock when, in their judgment, it is proper to do so. Each pen is provided with a water trough and water connection, so that all that is necessary to do, on the part of the commission men, is to put the plug in the trough and turn on the water. The commission men sort the stock, classifying it as may best suit the market requirements and to enable them to get the best prices. After the stock is sold the commission men drive it to the scales of the Stock Yards Co., where

it is carefully weighed by the Stock Yards Co. weighmaster, and, usually, a representative of the buyer and seller are present when the scales are balanced, to see that the proper weight is arrived at, but in every case a representative of the seller is present, as it is imperative that he furnish the weighmaster at the time the weight is made the name of the seller and the purchaser, so that such information may be placed on the weight ticket at the time.

After weighing, the Yards Co. employees yard the stock and lock it up and finally deliver it to the purchaser upon demand, or in the case of stock to be shipped out, drives it to the chutes for loading. Stock purchased by traders is delivered to them on demand, after weighing, and they or their employees drive it to that part of the yards assigned to them for holding stock for sale.

The Stock Yards Co. sell to the traders all necessary feed at the same prices charged all other parties. Frequently stock sold to traders is resold and shipped out the same day it is purchased by them, but, in a great many instances, the stock is held a number of days before finally disposed of.

The Stockyards Co.'s revenue comes from:

First. Switching charges it collects from the railroads where it owns the switching facilities, and performs the work of switching the cars of stock to and from the unloading chutes. Also the railroads pay Stockyards Co. for unloading and loading stock.

Second. Its yardage charges, which are a stipulated amount per head on cattle, hogs, or sheep, this to cover the use of pens, and service of weighing.

Third. Its earnings on the sale of feed.

The CHAIRMAN. It ranges about what?

Mr. BUCKINGHAM. The price at Omaha for the past 25 years has been 25 cents per head on cattle, 10 cents a head on calves—less than 400 pounds, I think it is—8 cents on hogs, and 5 cents on sheep.

The CHAIRMAN. There has been no variation in 25 years?

Mr. BUCKINGHAM. No variation for approximately 25 years.

The CHAIRMAN. Have you so much a head?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. That is the rent, practically?

Mr. BUCKINGHAM. Yes; that is for the use of the pens and the services, and for the responsibility of taking care of the animals, protecting them, and being responsible for them.

The CHAIRMAN. That is insurance and care?

Mr. BUCKINGHAM. Yes; insurance and care.

The above comprises the duties of a stockyards company. They are in no way responsible for the prices of live stock, nor do they in any way influence the prices.

Now, I want to make a statement in reply to those of the Federal Trade Commission where they refer to stockyards, as far as the same affects the Union Stockyards Co., of Omaha (Ltd.), which is a modern public stockyard in every respect, covering about 200 acres of ground, including a switching terminal of 34 miles of track in and about the yards and packing houses, as well as other industries served by it. The physical value of the plant, based on prices prevailing in 1915-16, is approximately \$10,000,000.

I am speaking of the Omaha yards now, altogether.

In addition to \$700,000 worth of bonds, the outstanding stock of the company is 74,963 shares, of a par value of \$7,496,300, held by 796 shareholders—none of these are packing companies. Individual members of packing firms and members of their immediate families,

15 in all, hold a total of 20,604 shares, or 27 per cent of the total stock. There is held by executors and trustees, also religious and educational interests, 54 in all, a total of 12,188 shares, or 16 per cent of the total stock. Other shareholders, male, 309 in all, hold 23,235 shares, or 31 per cent of the total stock, and 418 female shareholders hold 18,936 shares, or 26 per cent of the total stock. These latter two items, you will note, together make 42,171 shares, which is more than 50 per cent of the stock, and add to this the stock held by executors and trustees, and religious and educational bodies (12,188) shares, is more than two-thirds of the stock, so that the statement that the packers have a controlling ownership is not correct, and that they have control of the yards is equally untrue. One packer, namely, J. Ogden Armour, and the immediate family, own a large proportion of the total stock owned by packers' families—

The CHAIRMAN. Owned what per cent?

Mr. BUCKINGHAM. Mr. Armour?

The CHAIRMAN. Yes.

Mr. BUCKINGHAM. I said he and his family own a large proportion of the total stock, of this 27 per cent owned by packers, his family owns the greater proportion, and he, naturally, takes a great interest in the welfare of the yards because of the revenue resulting to him therefrom, which is no greater, however, than to each of the other shareholders in proportion to the number of shares they own.

The following compilation brings out more clearly the extent to which the stock of the company is held, the number of shares in the various States—male and female shareholders being shown separately—this latter in order to bring out clearly the investment feature of the stock; many women, as well as men, of moderate circumstances having purchased the stock from time to time as a safe investment which would bring them a reasonable return. It has become a practice among financial men in the vicinity of Omaha to advise women of small means to invest their savings in the Union Stock Yards Co., of Omaha, stock as a conservative, safe investment.

This statement does not include the holdings of the 15 individual members of packers' families, as set out above.

Now I will put a statement in here that gives the number of shareholders and the number of shares, male and female holders separately, in the different States, and, as you will see, the stock is held in 33 States.

Majority of shareholders.

	Male.		Female.	
	Share-holders.	Shares.	Share-holders.	Shares.
.....	1	10	.....	.....
.....	6	288	18	575
ut.....	6	72	14	1,441
.....	5	177	2	50
Columbia.....	1	150	4	144
.....	.....	.....	2	100
.....	1	375	2	81
.....	7	246	17	550
.....	42	4,986	50	3,565
.....	1	88	1	20
etts.....	22	2,550	24	890
.....	4	166	2	21
.....	2	78	1	65
.....	1	100	1	16
.....	1	4	5	61
.....	.....	.....	1	56
.....	3	16	.....	.....
.....	161	10,813	180	5,045
pshire.....	16	1,476	29	2,713
y.....	1	363	1	19
.....	.....	.....	2	63
.....	3	136	9	729
.....	.....	.....	2	34
unla.....	10	781	17	1,393
and.....	1	50	1	50
cota.....	.....	.....	1	10
.....	1	15	2	20
.....	7	67	8	289
.....	1	3	.....	.....
.....	3	156	9	187
on.....	.....	.....	3	135
.....	1	41	1	6
.....	1	88	9	614
al.....	309	23,235	418	18,936

CHAIRMAN. Do producers own much of this stock?

BUCKINGHAM. Now, when you ask me whose these 54,359 people scattered all over the United States, I can not tell you who re.

CHAIRMAN. Further than the packing people?

BUCKINGHAM. I give you that specifically. There is another element annexed to this that gives the holdings of the educational religious institutions, also executors and trustees in the different States and they are in 11 States—California, Connecticut, Colorado, Illinois, Massachusetts, Missouri, Nebraska, New York, South Carolina, and Virginia.

The statement here submitted by Mr. Buckingham is quoted in full as follows:)

	Educational and religious.		Executors and trustees.	
	Share-holders.	Shares.	Share-holders.	Shares.
.....	.....	.....	1	10
it.....	.....	.....	2	126
.....	.....	.....	1	11
.....	1	57	.....	.....
.....	1	187	11	5,879
etts.....	2	170	8	2,144
.....	1	250	.....	.....
.....	5	1,831	13	573
.....	.....	.....	6	904
cota.....	1	26	.....	.....
.....	.....	.....	1	20
l.....	11	2,521	43	9,667
Majority shareholders.....	.....	.....	.....	54,359
Packers and their families.....	.....	.....	.....	20,604
Grand total.....	.....	.....	.....	74,963

The above facts, we feel sure, will convince the committee that the statement of ownership control of the Omaha stockyards by the packing companies is not true. Therefore, the entire charge of packer control is untrue as far as the Omaha market is concerned, because the only control anyone can have of the Omaha yards is through the action of the majority of the shareholders.

The statement of receipts of live stock for the year ending December 31, 1918, below (which, incidentally, shows the wide scope of country served by the Omaha yards), also statement of disposition of stock, shows the extent of the buying for the packers at Omaha—both large and small—and that considerable live stock is purchased at Omaha for shipment to other packing points. The latter statement will also show a large amount of partly fat and feeder cattle purchased at Omaha for feeding purposes. A great many of the partly fat cattle are purchased in direct competition with the packers, to be taken to the country for finishing purposes, before coming to the market again.

I will offer a statement that shows the receipts for the year 1918.
(The statement here submitted by Mr. Buckingham is as follows:)

Receipts for the year 1918.

Origin.	Cattle.	Hogs.	Sheep.
Arizona.....	4,097		7,68
Colorado.....	46,826	1,179	179,338
California.....	6,080	108	67,87
Illinois.....		125	1,38
Iowa.....	364,462	669,269	185,69
Indian Territory.....	278	106	
Idaho.....	31,266	3,979	708,708
Kansas.....	20,507	999	6,58
Minnesota.....	5,563	36,663	10,89
Montana.....	22,941	1,186	22,114
Missouri.....	21,762	2,692	4,07
Nebraska.....	1,150,635	2,525,324	874,62
New Mexico.....	5,489		6,076
Nevada.....	4,071		102,67
North Dakota.....	504	887	2,68
Oregon.....	9,209		120,07
South Dakota.....	105,204	153,110	96,66
Texas.....	10,134	820	
Utah.....	4,807	439	100,22
Wyoming.....	178,508	2,506	726,55
Washington.....	651		45
Wisconsin.....	137		
Oklahoma.....	50		
Total.....	1,993,366	3,429,533	3,385,06

Then I will give you a table giving disposition of stock for the year 1918.

(The statement submitted by Mr. Buckingham here, is as follows:)

Disposition of stock, year 1918.

	Cattle.	Hogs.	Sheep.
Sold to packers.....	1,286,634	2,744,916	1,709,08
Forwarded—first hand—offered but not sold.....	19,545	12,886	72,87
Forwarded—not sold—simply fed in transit.....	35,700	53,833	20,05
Sold to foreign packers and order buyers.....	95,932	617,898	8,23
Sold to traders and feeders.....	555,555		1,565,53
Total disposition.....	1,993,366	3,429,533	3,385,06

In addition to Armour & Co., the Cudahy Packing Co., Morris & Co., and Swift & Co. there are located at Omaha, eight smaller packing companies, namely:

South Omaha Packing Co.

Hoffman Bros.

Mid-West Packing Co.

Roth Packing Co.

Mayerowich & Vail.

Pat. O'Dea.

Higgins Packing Co.

M. Glassburg.

All buying more or less live stock on the Omaha market, in competition with the larger packers, and the fact that all of them, except the Mid-West Packing Co. (which has just started), have been in operation for a number of years, is the best evidence that they are not being interfered with by the Stock Yards Co. In addition, the Lincoln Packing Co., of Lincoln, Nebr., Sinclair & Co., of Cedar Rapids, Iowa, Morrell & Co., of Ottumwa, Iowa, and Wilson & Co., of Chicago and Kansas City, maintain buyers at Omaha, and purchase in considerable numbers from time to time.

In this connection, J. W. Murphy and Schwartz & Son purchased 716,333 head of hogs at Omaha in 1918, in competition with the packers, largely for shipment to packing companies at other points.

In reply to the statement that the larger packers, through their stockyards influence, prevent the smaller or independent packers from locating or doing business at the alleged "controlled" markets, desire to say that at Omaha, in the case of Hoffman Bros., whose packing plant was built about seven years ago, their building is located on land sold to them by the Stock Yards Co. This also applies to the Mid-West Packing Co., whose plant was completed and put in operation later in 1918.

The CHAIRMAN. I do not quite catch the point. What is it that applies to them?

Mr. BUCKINGHAM. The land that the Hoffman Bros. plant is located on was sold to him by the Stock Yards Co., and also in the case of the Mid-West plant, it applies to them the same way—the land was sold to them by the Stock Yards Co. That is within the last 18 months.

In the case of the O'Dea Packing Co., part of the land used by their plant is owned by Stock Yards Co. and leased to O'Dea at a nominal figure. In the case of Mayerowich & Vail, their present location was traded to them by the Stock Yards Co. for their old, obsolete plant, part of which ground is now occupied by the new, modern horse sales barn. Enough money consideration went along with this deal to enable Mayerowich & Vail to build their present modern plant. The Higgins Packing Co. also had an old plant located where part of the new horse barn now is, for which they were given a good price, enabling them to put up their modern plant adjacent to (across the street) the stockyards. The Higgins Packing Co. is now building a large addition, with the intention of doing business on a much larger scale. The Skinner Packing Co. recently purchased a tract of land in the stockyards district, and are

putting up a plant of considerable proportions, and will spend altogether probably \$2,000,000 before the plant is completed. They have an understanding with the Stock Yards Co. by which the latter will furnish a considerable portion of the driveway from the stockyards to their plant. Further, will state that there are several locations directly adjacent to the stockyards that can be secured at a reasonable figure for packing house purposes.

Mr. Skinner's plant, I might say for the benefit of the Senators, is being built by the Skinner Bros., who, as you may know, Senator Norris, are running an immense big macaroni plant in Omaha. They are now selling the third \$1,000,000 worth of stock with which to build this plant.

The Higgins people, I believe, also are selling a large amount of stock to acquire money with which to build the addition to their plant. They propose to make a good, big plant out of it. They are right adjacent to the stock yards. Now, with reference to packers—I am trying to answer these things that were brought out in the Federal Trade Commission's report just as they come—controlling live stock newspapers at packing centers—as far as Omaha is concerned, this is not the case. The Drovers' Journal-Stockman, which is the only live stock paper here, is owned and controlled by the Neff estate, and not one dollar of the stock is owned by a packing company or a packer. The paper is supported, largely, by the commission men doing business at the Omaha market, who pay a fixed amount per copy for each paper mailed to shippers, for which they furnish a list; that is, a commission firm furnishes this paper with a list. Were it not for this support the paper would soon go out of existence. It is safe to say, therefore, that its policy really is controlled by the commission men.

As to the Live Stock Exchange Buildings—the one at Omaha is owned and controlled by the Stock Yards Co., who rent space therein to the commission men, to traders, and to packers for office room as required. Applications for space are taken care of in their turn, the oldest application receiving first consideration.

In the case of pens the same rule prevails, except that—I would like to speak right there, if I may, of the farmers' union. Mr. Gustafson appeared before the committee of the House on the Sims' bill, and they talked about his not being able to get an office at Omaha. He did not go quite far enough in his statement to make the matter plain. When the company's committee first made application for an office building and also for cattle pens, I told them that we did not have one vacant room in the building, and that is true. I could rent one hundred more rooms if we had them, but that I would put him on the list and take care of him in his turn just exactly the same as we did with everybody else. I offered him a small building near the hog division for a temporary office, but it was not big enough—and I made that offer because I felt, being a farm organization, I was in rather an embarrassing position in not being able to take care of him right at that time, and that somebody, naturally, would criticize me for not doing it. They went across the viaduct and rented a room, quite a good building, and I gave them immediately a temporary assignment of cattle pens: that is, I went and arranged so that they could have a share of the pens that had been assigned to some other firm whose business was not heavy at that time, and with the under-

standing that after we built in the spring additional pens they would get their assignment.

Later, when the railroads were turned over to the Federal organization, all of the railroad agencies were consolidated into one. That gave me some eight or ten vacant rooms. Just as quickly as that developed, I sent for Mr. Wyatts, the manager of the farmers' organization, and offered him the first choice of those rooms, and he took four of them, and has them to-day. They are in the Exchange Building, and that puts him on a parity in every respect with every commission firm doing business there, except that maybe his office is not as favorably located as some of the others.

Senator GRONNA. Did this farm organization finally get the number of pens that they desired?

Mr. BUCKINGHAM. I was going to add, Senator, that in the rearrangement of cattle pens, we gave them all of the pens that they asked for; and not only that, but we gave them a special assignment of pens, in what we call the "traders'" division, so that they could handle their feeder cattle.

Senator GRONNA. How about the location; did you give it to them in a desirable place?

Mr. BUCKINGHAM. I do not think there is a better location in the yard.

Senator GRONNA. You did not discriminate?

Mr. BUCKINGHAM. I am a little sensitive on that charge, and for that reason I tried to take extra good care of them.

Senator GRONNA. I am asking you in good faith.

Mr. BUCKINGHAM. I am answering you in good faith.

Senator GRONNA. It has been charged that those farm organizations have been discriminated against; that charge has been made as to St. Paul.

Mr. BUCKINGHAM. I am satisfied that if Mr. Wyatts, the manager of the farm organization at Omaha, is asked the question, he will say we have treated him fairly. I could not throw somebody out to give him a preferred location or anything of that sort, but I have absolutely taken care of him in good faith; and finally that, as his business increases, we propose to give him additional room, the same as we would any commission firm doing business there. They all look alike to us. Our revenues are identical from each party.

Regarding terminal and switching facilities:

When the stock yards were first built, the railroad companies themselves performed the switching at the stock yards, and the packing houses. Later on, as the number of packing houses, and business increased, and more railroads built connections to the yards, the railroad companies requested the Stock Yards Co. to take over the switching service, which was done, and the Yard Co. built the necessary tracks, purchased switch engines, and equipped itself to properly handle the business. It must be understood that live stock and most of the packing house products are perishable, and practically all of the switching, therefore, at a stock yard terminal, must be expedited, and of necessity, the expense is greater. It is only by prompt handling that the business of large packing centers, like Omaha, can be kept going. Each day's work in the unloading and disposing of live stock, must be cleaned up because, as a rule,

there will be just as much live stock to handle on the day following. The switching terminal is really the servant of the railroads because it performs the switching service for them,—for which they pay—and which, otherwise, they would have to perform themselves. As far as the packers and other industries are concerned, it is a matter of indifference to them whether the actual work is performed by the railroad companies, or by the Stock Yards Co. for the railroad companies. I might add, the compensation for this work is less than that usually charged by the railroads themselves for similar service.

The Stock Yards Co. does control yardage service, but at Omaha does not control its yardage charges.

The CHAIRMAN. Yardage charges? How is that?

Mr. BUCKINGHAM. I say we do control the yardage service, but at Omaha do not control the yardage charges.

The CHAIRMAN. Who do you mean when you say "we"?

Mr. BUCKINGHAM. The Stock Yards Co. We are a Stock Yards Co. pure and simple.

The CHAIRMAN. And you controlled the services?

Mr. BUCKINGHAM. We control the yardage service.

The CHAIRMAN. Who controls the charges?

Mr. BUCKINGHAM. If you will just follow me along, Senator, you will get it.

The CHAIRMAN. I though you had stated it.

Mr. BUCKINGHAM. These are regulated by the State railway commission. I might say there has been no change in any of its yardage charges for at least 25 years. In the case of feed, the charges vary from time to time to conform with the cost of same, but the net results, per ton or per bushel, are no greater now than in former years. It should be understood that in the case of the feed, that it is really a retail or peddling proposition; hay or grain being fed in small amounts in the different pens according to the orders of the commission men—frequently in the case of hogs the same shipment will be fed two or three different times before being sold.

What I mean by that, the car—the hogs arriving early in the morning, the commission man will say "Feed them three bushels;" and that is done. He comes around an hour later, and sees that they have cleaned that up, and it looks as though they would eat more and he will order a couple of bushels more fed to them, which is fed. And then if the market happens to be slow, the hogs are not sold maybe until 10 or 11 o'clock, as frequently happens, then he will give them still another bushel, or possibly two bushels. And that is what I mean when I say, feed and charges. That same things applies to hay fed the cattle; they may be fed in one pen, one load at two or three different times.

At Omaha the Stock Yards Co. does furnish and control the weighing facilities, it being the independent party, and not interested in either the buying or selling, and it seems proper that it should control these facilities.

The CHAIRMAN. Are those charges regulated by any public authority, these weighing charges?

Mr. BUCKINGHAM. That is included in this yardage charge, which is regulated by the Nebraska State Railway Commission, and for which there has been no change for 25 years.

When live stock is being weighed, as a rule, a representative of both the buyer and seller is at the scale to see that the scales balance properly and the correct weight arrived at. Further, each and every one of the scales is equipped with a type-registering beam, and when the scales balance, the weighmaster pulls a lever and the weight is registered (typewritten) on the scale card, which is in triplicate, one copy going to the buyer, one to the seller, and the third copy retained by the Stock Yards Co., for its record. The scales are inspected periodically by the State inspector, also city inspectors, and in addition the Stock Yards Co. employs the Fairbanks, Morse & Co. to inspect and repair its scales at regular intervals. Every reasonable precaution is therefore taken to give both the seller and the buyer the correct weight of stock.

The Omaha yards have no interest—this is one of the things I have heard discussed so much, and I would like to have you clearly understand it—in the disposition of dead animals, this being handled entirely between the commission men and the party who receives such animals. In the case of dead hogs, the Stock Yards Co. weighs them before they are taken away and issues a ticket for the weight, without compensation—no yardage charge being made for such service—that is, all those hogs are dragged out of the cars on to our unloading platform. We have a scale on each platform—I do not know but two or three, as a matter of fact, and then the hogs are gathered up by the representative of the rendering company, and taken away. We weigh them and give the commission man a certificate of the weight. This is to enable him to make a proper sale to the rendering company. We have got no contract with any rendering company. The fact of the matter is that I do not even know the name of the gentleman who handles that business at Omaha. Our sole interest is to get rid of the dead animal as quickly as we can, particularly in the summer time.

As to access to records, etc.

The statement was made that our records are used to telegraph all over the country to different markets. Formerly it was the practice to permit commission men, packing-house representatives, railroad company employees, and others to have access to the record books at the chute house covering both inbound and outbound live stock, but several years ago, on receipt of advice from a representative of the legal department of the Government, that it was not proper to permit this, the practice was discontinued. Since then, the information put out at the yard office is done in such a way as not to furnish any more information than is actually necessary for the handling of stock in and about the yards. One claims attorney—and, Senator Norris, that was Bob Lawson, of Lexington, whom you know—took objection to this action on the part of the Stock Yards Co., and made complaint to the railway commission; he later, after hearing the evidence, sustained the action of the Stock Yards Co.

In conclusion, desire to say have endeavored to place before the committee such figures and facts as will make them conversant with the South Omaha market, and also make them realize that the statement of the Federal Trade Commission, as far as they apply to that market, are, in the main, incorrect. The fact that it is the second largest hog market, also second largest sheep market and the third largest cattle market in the United States, is the best evidence, we

think, of the fairness and good treatment to its patrons. It is an "open" market in every respect. There are no restrictions, as far as the Stock Yards Co. is concerned, on who shall buy or sell, except that it requires absolute honesty and fair treatment on the part of those doing business on its premises.

With reference to regulation and supervision:

The company's switching terminal is under the jurisdiction of the Interstate Commerce Commission, and it can not make any changes in rates on interstate switching except on authority from the commission, and all of its equipment and service must conform to Interstate Commerce Commission requirements, including its Safety Appliance Act. On intrastate business the switching charges and service are under the Nebraska State Railway Commission, and in the stockyards proper no changes can be made in the yardage charges or feed charges without the authority of said commission. The company is under the jurisdiction of the Food Administration and also the Bureau of Animal Industry, as well as the Bureau of Markets: the latter two being divisions of the United States Agricultural Department.

The CHAIRMAN. And what does the Food Administration have to do with it?

Mr. BUCKINGHAM. We are licensed to sell corn. Then, I believe, the Food Administration to-day are regulating the number of hogs that may be sent in to the markets. We are limited to fifteen hundred carloads of hogs per week, that is, by order of the Food Administration to the Federal Railroad Administration, and they in turn put out through the various railroads bringing stocks into Omaha—

The CHAIRMAN (interposing). That they are not to haul more than that many cars in?

Mr. BUCKINGHAM. They are not permitted to bring into Omaha more than fifteen hundred carloads per week. That is a subdivision on some basis they have arrived at, I presume taking the meat to all the various centers for a given period, and it is subdivided so that the Union Pacific road can only take in so many cars per week, with a maximum fixed for any one day. The Burlington road the same, the Northwestern road the same, and the other smaller lines the same.

The CHAIRMAN. Is it fifteen hundred carloads a week—is that about the average limitation for the year? Does that run through the year or do they vary it from week to week?

Mr. BUCKINGHAM. Well, the hog business is like the grain business. It has its seasons.

The CHAIRMAN. And would these fifteen hundred cars apply to the maximum for each part of the season?

Mr. BUCKINGHAM. The heavies receipts of hogs at Omaha, come from the middle of December to the middle of April, so that we are right in what you might call the "harvest."

The CHAIRMAN. Would fifteen hundred cars per week for that period be subject to limitation?

Mr. BUCKINGHAM. The commission first fixed the number at twelve hundred cars. That was about three weeks ago. The packers at Omaha felt that they could kill more than twelve hundred cars

a week, and they limited the market to that number, which meant that they would have to lay off men.

Senator NORRIS. You said the "Food Commission" did you not mean the Food Administration?

Mr. BUCKINGHAM. I beg your pardon, Senator, I meant the Food Administration, it is their order.

Senator NORRIS. How long has that regulation been in effect?

Mr. BUCKINGHAM. I think it was put out about three weeks ago.

Senator NORRIS. That limitation?

Mr. BUCKINGHAM. How is that?

Senator NORRIS. That limitation of fifteen hundred cars?

Mr. BUCKINGHAM. Yes. Understand why that was, there were so many immature hogs coming to the market by reason, first, of the shortage of corn this year, and second, somewhat a fear on the part of farmers about the price of hogs fixed by the Government—we will say, for January, might be lowered in February and March.

Senator NORRIS. Did not the limitation of the amount of hogs that could be brought in of itself have an injurious effect on the market?

Mr. BUCKINGHAM. In what way?

Senator NORRIS. I mean, cut credit down or increase it, either way?

Mr. BUCKINGHAM. The result, of course, was to decrease the receipts, and I think it has a tendency to make the market a little firmer than before.

Senator NORRIS. There was more stock that wanted to come in. How would you regulate about whose stock should be kept out and whose should come in?

Mr. BUCKINGHAM. I do not know. I guess they gamble about it. I can not answer that question.

I hear to-day about a statement out in Nebraska where a man's hogs were ripe and ready to move to the market, possibly five cars. The assignment of loading at that station might only be three cars for a week, so that it would be impossible for him to ship at one time.

Senator NORRIS. As a matter of fact, the man who had the other two cars could not sell them at all, could he?

Mr. BUCKINGHAM. This might apply to one man; it is not an unusual thing for one man to raise four or five car loads of hogs.

Senator NORRIS. It might apply to a man who had all his hogs in one bunch, probably, but only a car load, and he would not be in a position to sell them.

Mr. BUCKINGHAM. He would have to ship what he could and hold the balance until he could get permission to ship.

Senator NORRIS. It might easily happen that he could not ship any, could it not?

Mr. BUCKINGHAM. This has not been running long enough to be able to answer you from a practical standpoint, and I do not like to make any guess.

The CHAIRMAN. Might there not be a case where a man would have hogs which are "ripe," as you call them, who wanted to send to a market, and who wanted to ship and who simply would not have the right to send them under this regulation?

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. On the other hand, he would be obliged to keep them and feed them at these high prices of feed, notwithstanding he wanted to send them to market and it would be economical to send them to the market?

Mr. BUCKINGHAM. Yes, sir.

Senator NORRIS. And he might be confronted with the fact that he had a chattel mortgage on the hogs which was due.

Mr. BUCKINGHAM. That is possible.

The CHAIRMAN. That is the advantage of having somebody running everything that knows more than everybody?

Mr. BUCKINGHAM. It is a poor policy for somebody to try to run some other fellow's business he did not know anything about.

Senator WADSWORTH. I want to ask you another question in that same connection: Was the fixing of a daily maximum due to any desire on the part of the Food Administration, that is, within your knowledge, to even the run of live stock to the markets through the six days of the week instead of having Monday or Sunday the heavy days?

Mr. BUCKINGHAM. I think, Senator, that they had that in mind. I think the Food Administration were acting to the best of their knowledge; they were doing the right thing, don't you see. I think their thought was to try to stop so many of these immature hogs being crowded into the market.

The CHAIRMAN. Would that have any effect on that at all?

Mr. BUCKINGHAM. I am afraid not. They would come along relatively the same.

Senator NORRIS. Did they keep the same rule at other packing yards?

Mr. BUCKINGHAM. This applied all over the country. Please do not understand this was Omaha. This applied to Chicago and Kansas City, every western packing center, the same.

Senator GRONNA. And St. Paul.

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. The fact that they raised 300 car loads a week indicates that they themselves made a bad guess, and increased it themselves?

Mr. BUCKINGHAM. I do not think they do. They were acting on their best judgment and belief, and they thought they were doing the right thing, and when it was shown to them that the allotment should be increased they did the proper thing and increased it. I do not think that you can find any fault with that, and I was not trying to make it appear that we found any fault at all.

Senator NORRIS. Yes, but did they give it the reason that the object of this was to prevent immature hogs coming in?

Mr. BUCKINGHAM. Very largely that was the reason.

Senator NORRIS. What other reason, if any? It certainly would not have any effect on that.

Mr. BUCKINGHAM. My understanding, Senator Norris, is that it was more on account of immature hogs than anything else.

Senator NORRIS. Did you think it would prevent immature hogs from coming in?

Mr. BUCKINGHAM. They cut down the number. They kept coming proportionately the same, but not in the same number that they would before.

Senator NORRIS. Well, it might have kept down some immature hogs?

Mr. BUCKINGHAM. It kept down some immature hogs coming in, yes.

Senator NORRIS. That would be a damage and a loss if they were kept out of the market, would it not?

Mr. BUCKINGHAM. Yes, that is true. The fellow whose hogs are ready to come in ought to be permitted to go to the market.

The CHAIRMAN. Who ought to decide whether a man shall sell his hogs or not?

Mr. BUCKINGHAM. I think the man should. I would not want somebody else deciding for me if I owned the hogs.

The CHAIRMAN. You said the packers caused an increase in shipment of 300 hogs per week?

Mr. BUCKINGHAM. Let me go a little further. I said the packers, and I also means the Stock Yards Co. and also the commission men.

The CHAIRMAN. And the point was that your plants were not being operated up to capacity?

Mr. BUCKINGHAM. Yes, sir; and that is seemingly what we were all anxious to have done.

The CHAIRMAN. The fact, however, that the farmers had to carry a lot of hogs and feed the high priced feed into them, as a consequence of this order, did not seem to have any weight at all?

Mr. BUCKINGHAM. I think probably they considered that. But possibly they tried to remedy the most serious trouble as best they could.

The CHAIRMAN. Did this 1,500 car loads a week have anything to do as to the distribution on Wednesdays and Thursdays?

Mr. BUCKINGHAM. Yes

The CHAIRMAN. They still might have the excess on a day? It was not giving them a number of car loads a day but a week?

Mr. BUCKINGHAM. I want to say to you, Senator, that as far as South Omaha is concerned, there is less of this trouble about excessive receipts on a given day than in any other market.

The CHAIRMAN. If there was a limitation on the number sold a week, would not that have any reaction as to the receipts per day, would it?

Mr. BUCKINGHAM. Of course, if the railroad companies had the cars and the shippers the disposition to load them, they might load the 1,500 cars and send them in all in one or two days. And, realizing that, I think the Food Administration, or whoever put out this order, very wisely provided for maximum receipts of—well, when the order was 1,200 cars, the maximum receipts were 300 cars a day.

The CHAIRMAN. They had a limitation about that?

Mr. BUCKINGHAM. Yes, this increase to 1,500 cars has taken place since I left home, and I can not tell you about that.

The CHAIRMAN. What is your estimate as to what it would be a week but for this limitation?

Mr. BUCKINGHAM. The way hogs were coming it is pretty hard to say. They have had as high as Chicago does.

The CHAIRMAN. I do not mean that.

Mr. BUCKINGHAM. I had in mind the big number.

The CHAIRMAN. That would not throw any light on this comparison.

Mr. BUCKINGHAM. Let me think for a minute—the probabilities are that the receipts on four days would have run—there would have been 90,000 hogs at Omaha.

The CHAIRMAN. That does not mean anything. We are talking about car loads, as a unit.

Mr. BUCKINGHAM. Then, I will have to figure back a little bit. At seventy-odd heads to the car, we would easily have 1,200 or maybe 1,500 cars in the four days of the week—between 1,200 and 1,500. Then our receipts on Friday and Saturday of hogs, while not quite as heavy usually as the first four days, still the receipts are very good, and we would have had probably 225 cars and 160 to 175 cars on Saturday.

The CHAIRMAN. So, at the instance of the packers and the stock yards, the number was increased so as to give them the maximum efficiency?

Mr. BUCKINGHAM. When you say that, please do not forget the commission man, because he was just as much interested in this as representing the shipper—

The CHAIRMAN. Certainly.

Mr. BUCKINGHAM (continuing). As anybody else could be.

The CHAIRMAN. Well, as representing themselves. I suppose the profits he was getting out of that would be a motive, a perfectly legitimate motive?

Mr. BUCKINGHAM. I do not think that cuts any figure, because hogs are going to come; they must come this week or next as fast as they can be loaded and shipped into the market under whatever conditions prevailed, the hogs are going to come. The farmers are not going to stop feeding them or kill them or anything of that kind.

Senator NORRIS. Mr. Buckingham, the loss came out of the farmer who owns the stock that was ready to ship?

Mr. BUCKINGHAM. That is my view, Senator.

Senator NORRIS. It seems to me that is a clear view.

The CHAIRMAN. What was that question, Senator Norris; I did not catch that?

Senator NORRIS. The loss brought about by this order fell on the farmer who owned the stock and could not ship it. The question naturally arises, in my mind, why should such an order be issued?

Have you any idea, Mr. Buckingham, that this order came about because the great packing plants had large stocks, and because the English Government and some other foreign Governments had quit buying or repudiated some of their contracts, and that therefore they wanted to stop the coming in of any more hogs?

Mr. BUCKINGHAM. I know nothing about the matter whatever.

Senator NORRIS. You do not know what moved—the power?

Mr. BUCKINGHAM. Just one moment. And the first thing I knew about it was when we received the order.

Senator NORRIS. That is not the question I asked you. You do not know anything about this cause?

Mr. BUCKINGHAM. Not a thing. We were limited to 1,200 cars a week to come in, and we found that 1,200 cars were not enough, and we protested about that, and asked for more; and then they gave us later on 1,500 cars.

Senator NORRIS. Have you heard any protests for farmers or owners of stock as to what extent they had taken losses on account of the stock they were not able to ship on account of this?

Mr. BUCKINGHAM. No, Senator, I simply heard commission men speaking of it here and there, and occasionally a case where a man was ready to load out and could not load. It seemed there was one station on the Wabash road, here I think their allotment was about two cars a week, and this man alone wanted to load three cars.

Senator NORRIS. Mr. Buckingham, these dead animals that came in all went to one corporation, did they not?

Mr. BUCKINGHAM. There is but one rendering company in South Omaha, Senator.

Senator NORRIS. And they bought all of them?

Mr. BUCKINGHAM. I assume they did.

Senator NORRIS. Do you know who owns the stock of that rendering company; it is a corporation, is it not?

Mr. BUCKINGHAM. I do not know anything about it, except that the name, I think, is the Union Rendering Co.

Senator NORRIS. The name is the Union Rendering & Refining Co., I believe, they style themselves?

Mr. BUCKINGHAM. Yes.

Senator NORRIS. Well, is it a fact that its real capital stock was \$20,000, but, as a matter of fact, they were capitalized for \$100,000?

Mr. BUCKINGHAM. No, Senator; I know nothing about it at all, and do not even know—it just happens I do not know the name of the man at the yards who handles it; I think there has been a change in the last year or two.

Senator NORRIS. The Federal Trade Commission say with reference to this company, speaking of the Union Rendering & Refining Co., that it is controlled and operated by Swift interests, who own about one-half of the stock, the balance of the stock being divided between Armour, Morris and Cudahy interests, and they figure their profits on the actual amount of money paid in, in 1912, of 73 per cent; 1913 of 72 per cent; 1914 of 39 per cent; 1915 of 67 per cent; 1916 of 80 per cent a day.

Do you know anything about the truth of that?

Mr. BUCKINGHAM. I do not know the first thing about it. This rendering plant is located several miles away from Omaha. The only knowledge I have of any part of the business is the fact of the weighing, disposing of and loading up of these hogs in a car, in order that they may be switched out to the Burlington Road, which hauls them down to the rendering plant. What the farmer gets for those dead animals, who pays for the dead animals, I know nothing about. That is a transaction between the commission man, who represents the farmer or shipper, and the rendering company.

Senator NORRIS. Of course, it is fair to assume, that the rendering plants pays for it; it gets the dead animal?

Mr. BUCKINGHAM. I think without doubt.

Senator NORRIS. Do you know whether, as a matter of fact, if the packers or this rendering plant that its owned by the packers absolutely fix the prices that they shall pay, and that the commission man representing the farmer or the owner of the stock must take the price that they fix?

Mr. BUCKINGHAM. Senator, I do not even know in this case—and if I did I would tell you frankly—I do not even know who owns the rendering company, and I don't know absolutely how the price is arrived at. It is solely a deal between the commission man and the rendering company; I do not know the first thing about it.

Senator NORRIS. This is apparent, is it not, that there is not any competition in the sale of those dead animals; there is only one person to buy them, and they have got to be sold?

Mr. BUCKINGHAM. With only one rendering plant, I would say there would not be. But I would like to add, there, Senator, if you will permit me.

Senator NORRIS. All right.

Mr. BUCKINGHAM. This dead animal business is not a very large one in volume. I do not know what per cents they make or anything of that kind.

Senator NORRIS. Well, Now—

Mr. BUCKINGHAM. Just one moment, please. One day there will be what we call a car load, probably 33 or 40 dead animals of all kinds gathered up. Then maybe in other seasons of the year there will be two or three days at a time before they get a car load of these animals to ship down, and that is what I mean by the "volume" not being heavy.

Senator NORRIS. The Trade Commission report that the net profits of the rendering company for instance, in 1916, was \$16,140.3. If that was the net profit they must have had quite a good many animals?

Mr. BUCKINGHAM. You understand, I do not know what other business they handle besides taking care of these animals from the stock yards company.

Senator NORRIS. That would be interesting to know.

Mr. BUCKINGHAM. Yes. I have no doubt they take care of the dead animals from the city of Omaha and possibly from Council Bluffs—I am not sure.

Senator NORRIS. Yes, and they may buy the scraps from the butchers. I think they do that, in some places.

Mr. BUCKINGHAM. I do not know anything about it. I have never gone into it.

Senator NORRIS. Let me ask about the stockyards company that you represent when it is holding annual meetings?

Mr. BUCKINGHAM. The annual meetings have always been on the second Monday in December. The fiscal year closes November 30, and we have just changed it so as to make it close December 31.

Senator NORRIS. So as to correspond with the calendar year?

Mr. BUCKINGHAM. Yes, the calendar year.

Senator NORRIS. At the annual meetings of the stockholders, how much of the stock is represented?

Mr. BUCKINGHAM. Offhand, I can not tell you. A good share of it is naturally represented by proxies.

Senator NORRIS. Who holds the proxies?

Mr. BUCKINGHAM. The proxies, as a rule, are in the name of W. J. Dunham, E. Buckingham, and J. C. Sharp. I am the manager of the yard, and Mr. Sharp has been secretary-treasurer for about 35 years.

Senator NORRIS. And they send the proxies in to you?

Mr. BUCKINGHAM. Yes, sir.

Senator NORRIS. And you vote them at the annual meeting?

Mr. BUCKINGHAM. Whenever they are sent to us, we naturally vote them. Of course, there are a great many—I won't say "a great many"—there are a number of gentlemen that come with a good number of proxies that they vote and have done for a good many years.

Senator NORRIS. This man Dunham, you say, gets a good many of the proxies?

Mr. BUCKINGHAM. Mr. Dunham is associated with Mr. Armour in Chicago.

Senator NORRIS. Then, any proxies Dunham would handle would be Armour, would it not?

Mr. BUCKINGHAM. No, not necessarily. The proxies of Mr. Armour are sent out for Messrs. Dunham, Buckingham and Sharp to vote just the same as many others.

Senator NORRIS. Do you get some proxies from the packers, also—some from Armour?

Mr. BUCKINGHAM. You mean, personally?

Senator NORRIS. Yes.

Mr. BUCKINGHAM. No.

Senator NORRIS. How many shares did Dunham vote as proxies for Armour at the last meeting, if you know?

Mr. BUCKINGHAM. Mr. Dunham was present at the last meeting, and by the way, that is the first annual meeting he was present at for three years,—I can not answer you that question offhand, Senator. Those proxies—I do not know that Mr. Dunham voted them at all—I think probably that Col. Sharp handled the proxies, as a matter of fact. They were made out in Mr. Dunham's name and Col. Sharp's name and myself; they are not voted by any one man; they are voted by the three, or where the three are not present, they are voted by two.

Senator NORRIS. Who is Mr. Sharp?

Mr. BUCKINGHAM. Mr. Sharp has lived in Omaha for 40 years, and is a nephew of W. A. Faxon, who started the South Omaha Yards, and who was president of it for a great many years.

Senator NORRIS. Is he connected with any of the packers?

Mr. BUCKINGHAM. Not in any way, shape or form.

Senator NORRIS. As I get it, these proxies are sent in to you and Dunham and Sharp; are you acting jointly?

Mr. BUCKINGHAM. There are a great many proxies sent in that way, and then there are other proxies that come in in the names of the people who represent them, not us.

Senator NORRIS. Do you know how many proxies came to you three gentlemen from any of the five big packers at the last meeting, for instance?

Mr. BUCKINGHAM. When you say the "five big packers"—

Senator NORRIS. I would change that.

Mr. BUCKINGHAM. Give it to me so I can answer it.

Senator NORRIS. That is not an intelligent question, I concede that—from the packers who own stock in the Omaha stockyards?

Mr. BUCKINGHAM. The stock holdings by individual members of packing firms, like Mr. Armour and members of their families, was

sent in, was mailed in, to the secretary in identically the same way that the stock of other holders was sent.

Senator NORRIS. Yes; I understand that. But I wanted to know just how that was. Did it mention you and Sharp and Dunham jointly?

Mr. BUCKINGHAM. Exactly the same.

Senator NORRIS. That was the way in all of the cases—

Mr. BUCKINGHAM (interposing). In other words. Senator, we have got no quarrel; there is no quarrel or row on in this Stockyards Co. among its stockholders or directors. We are going along trying to do the right kind of a business, and to build up a stockyards market; that is our purpose.

Senator NORRIS. All I am trying to get is the actual facts.

Mr. BUCKINGHAM. I am trying to give them to you.

Senator NORRIS. What proportion of the stock did you three men represent when you had the proxies all in; did you have as much as 51 per cent?

Mr. BUCKINGHAM. I can not answer that; probably 41 per cent or 45 per cent. I do not think we had more than one-half. But I would be glad to give you the figures, Senator, and I will give you a statement of it.

Senator NORRIS. Did you have 51 per cent of the stock that was actually voted?

Mr. BUCKINGHAM. I do not understand.

Senator NORRIS. Did you have half of the stock?

Mr. BUCKINGHAM. You mean those three individuals?

Senator NORRIS. Yes.

Mr. BUCKINGHAM. I think not. I do not handle that myself. I never pay much attention to it. Here are 55,000 or 60,000 shares of stock represented there, and it is all voted one way.

Senator NORRIS. Exactly. Now, I want to ask you for information on a general question. From the time the farmer ships his stock to the time it gets into the hands of the packer for slaughter, it passes through the commission man's hands, and goes through the stockyards. Is there any dead stock that goes to the rendering company—are there any other steps; that is about all, is it not?

Mr. BUCKINGHAM. Yes; the railroad, of course, brings it in, except that I might say, Senator—you probably know it, too—that in the last year and a half there has been an immense volume of business built up of hauling stock into the public markets with auto trucks.

Senator NORRIS. That only eliminates the railroads.

Mr. BUCKINGHAM. That only eliminates the railroads; the other is identically the same.

Senator NORRIS. In your own experience, could you suggest to us, as Legislators, any remedy that we could give that would lessen the number of men or corporations that would handle the stock that might take away some of the profits that the various corporations would have to have? In other words, to lessen the cost between the time the farmer lets go of it and the consumer gets it? Could you suggest any improvements in any of these steps?

Mr. BUCKINGHAM. I hardly know what to suggest different from what we are doing today, Senator. The stock is in the country—25, 50, 75 and 100 miles; and we have stock coming to us from points fifteen and eighteen hundred miles away. The railroad company has

got to bring it in, unless you want to put a little packing house locally wherever all this stock is. I do not know; you might do this. It has been tried and failed; and you might try it again and fail. That service has got to be performed by the railroad company.

Senator NORRIS. Let us take up your part of it.

Mr. BUCKINGHAM. May I finish?

Senator NORRIS. Certainly. I was asking whether you could suggest the elimination of anything.

Mr. BUCKINGHAM. I was going to try to follow through. After the stock arrives at Omaha, or at the market, it has got to be placed at a stockyard for unloading. That is the duty of the railroad company which brings it in. If they have not a track of their own leading into a chute where the stock can be unloaded, they naturally have got to have the terminal company that performs that work do it for them, and they pay the terminal company for that.

Senator WADSWORTH. That is included in the freight charge to the shipper.

Mr. BUCKINGHAM. That is included in the freight; and they also pay for the actual work of unloading the stock. I do not see how you can eliminate any features there; that work has got to be done.

Senator NORRIS. I have not suggested anything. I want to get your idea. You are an experienced man and have had a great deal of experience. If that could be eliminated, it ought to be done, of course?

Mr. BUCKINGHAM. You asked me if I could tell you. My thought was to start with the shipment in the country, and go through to this packing house, and I will tell you as best I can how it is done.

Senator NORRIS. I think you have done that, unless you want to go on. But the question is whether you thought you could eliminate anything in any of these various operations?

The CHAIRMAN. I would like to hear you go through it. It is very interesting.

Mr. BUCKINGHAM. This stock is unloaded into the chutes, and after it has been inspected by the Government Bureau of Animal Industry—when they say all right, then it is up to the stockyards company to open the gate and run that stock out into the alley, which it does, and it can deliver it either to the owner, and the owner can take the stock and drive it out on to the open streets and to the country and go where he pleases with it.

On the other hand, if it is stock that he has sent to this market for the purpose of having it sold, then either the stockyards company's employees or the commission man's employees take the stock to—I am speaking about cattle, and the same thing applies in general to hogs and sheep—to pens that have been assigned to that commission company as a place where they are supposed to do their business. The commission company does not own the pens; they do not pay anything for the use of the pens. But you do assign to that commission company 10 or 15 or 20 or 25, and in the case of some of the big firms as high as 60 pens.

The CHAIRMAN. Who did you say does not pay for the pens?

Mr. BUCKINGHAM. The commission firm, I say, pay no rent. They do not pay anything for the use of the yard.

The CHAIRMAN. Who pays the yardage charges?

Mr. BUCKINGHAM. The shipper pays the yardage charges. That is what I am getting at. You people down here do not seem to know much about the stock business, and you get these commission fellows and the stockyards and the packer all tangled up.

The CHAIRMAN. What I am trying to get at is exactly what functions each one of these agencies or functionaries perform.

Mr. BUCKINGHAM. I am trying fully to give you that. I do not know whether you can catch it or not, because they do lap and intermingle pretty much.

But after this stock is delivered into this commission man's pen, then you might say for the present the stockyards company's responsibility ceases. The stock is then in the hands of the owner or commission man or agent. We do not know—I say “we”—I mean the stockyards company do not know what that commission man is going to do with that stock. It is up to him to sort it and ask the stockyards company to feed it and water it, and then it is up to him to sell it as best he can in the interests of the man he represents and the man who is paying him for that service.

After the commission man has sold the stock—and, mind you, he may bring in one shipment of 10 carloads and sell them at one time, or there may be 1 carload come in and be so separated, so classified, and divided up. Mama owns a cow and papa owns a share and little Billie has got two heifer calves, and they have all got to have a stock accounting, and that may be cut up into 20 parts and be sold to 20 different outfits, and has to be weighed and separated accordingly.

These commission men, after they have made the sale, drive the stock to the scales. They go into the weighmaster's room as the stock is on the scales and watch the weighing and, as a rule, a representative of the man who buys the stock is also there to see that the scales are balanced and that the transaction is proper.

The CHAIRMAN. Certainly you have described that.

Mr. BUCKINGHAM. After that stock is weighed, it is driven off the scales, and the stockyards' functions commence again. The yard company's men take it and yard it, and lock it up, and it is up to them to hold it there in their possession until the owner, the man who has bought it—whether he is a packer or feeder buyer, or whether he is a countryman, it don't make any difference who it is—comes around and identifies himself to the proper employee of the stockyard company, who will then unlock the gate and count the stock out to him and make delivery.

If it is a packer, he comes along with his 6 or 8 or 10 drivers and gathers this stock up and takes it off to the packing house.

The CHAIRMAN. Now, then, I want to ask you some questions.

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. There is where the manufacturing process begins, is it not—when the packer gets it?

Mr. BUCKINGHAM. There is where the packer's responsibility commences—and so, I should say, yes, to that question.

The CHAIRMAN. Then, prior to that, whatever the service, it is not the manufacturing process, is it?

Mr. BUCKINGHAM. It is a public market.

The CHAIRMAN. The only charges the yards get is the yardage charge for handling the stuff, is it not?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. And the use of the switching facilities, which are paid by the railroad?

Mr. BUCKINGHAM. It seems to me, Senator, that the switching facilities for your purposes might be eliminated, because if the yard company does not perform it, then the railroad company must perform it; one or the other is bound to; you can not get the stock to the yards otherwise.

The CHAIRMAN. I understand that, but what I want to get at is, what is done? The stock yards collect the yardage for the handling of the stock.

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. That is paid by the producer?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. The owner of the stock?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. They also, under the present system, collect switching charges from the railroad.

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. The stockyards owning the switching facilities?

Mr. BUCKINGHAM. That is included in the railroad's gross freight charges from the point of origin to final point of delivery.

The CHAIRMAN. The producer pays that?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. And the stockyards company collects it from the railroad?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. Then the stockyards must collect the yardage charges from the producer.

Mr. BUCKINGHAM. And, please understand, Senator, that the freight charge would be identically the same to the shipper, whether the stockyards company performed this switching at the terminal or whether the railroad company itself performed this switching at the terminal. There is no difference in that charge.

The CHAIRMAN. Exactly. That is one of the points. There is no difference. What would be the difficulty in requiring the railroads to own these switching facilities, and to own the yards? The transportation service certainly extends to the point of driving the stock out of the car into the chute, did you call it?

Mr. BUCKINGHAM. Yes, the unloading chutes.

The CHAIRMAN. Up to that point, at least, it is a transportation service.

Mr. BUCKINGHAM. Absolutely.

The CHAIRMAN. And it is a manufacturing service after the packer buys the cattle out of the yards.

Senator WADSWORTH. But, Senator, there is a free service in between. You will put the railroads into the feeding business, for one thing.

The CHAIRMAN. The point I want to get at is, what is this feeding service between the unloading chute and the driving of them out.

Mr. BUCKINGHAM. Senator, I thought I went through that.

The CHAIRMAN. I do not mean the detail—what is the nature of it? It is a manufacturing service after the packing-house people buy it?

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. That is manufacturing. Up to driving them out of the car into the chute, that is transportation service, certainly.

Mr. BUCKINGHAM. Yes, sir.

The CHAIRMAN. Now, then, does not this service in between the two savor rather of the road's depot or receiving station?

Mr. BUCKINGHAM. The services in between are simply the services of the public market.

I was asked that question at another place—this depot question. I do not know where any railroads furnish any depots for carload freight. If they are doing that, in my experience of some 37 years in transportation service with one railroad company, I have never been able to locate it.

The CHAIRMAN. Your point is to put them less than carloads through depots?

Mr. BUCKINGHAM. Yes; through the freight house, how they must do that, because this miscellaneous lot of stuff that comes in the car. Part of it may be delivered to the different consignees one day and the balance of it may not be delivered for several days.

The CHAIRMAN. Would you think it economical for the business men of the town to organize and own the depots through which this stock is passed?

Mr. BUCKINGHAM. You would be getting into something so impractical that—

The CHAIRMAN. I think so. I do not think the railroads would do it as efficiently. It is better for the railroads to do it?

Mr. BUCKINGHAM. That is a railroad function.

The CHAIRMAN. Why could not the duties of a stockyards be attached to the transportation company?

Mr. BUCKINGHAM. Simply because it is not their business. Why do you not put them in the grocery business or the dry-goods business? What is the difference?

The CHAIRMAN. There is a great deal of difference.

Mr. BUCKINGHAM. It is more imaginary than real.

The CHAIRMAN. One is handling live freight and the other is handling dead freight.

Mr. BUCKINGHAM. Yes; they could go into the dead freight business a good deal easier than they could into the live freight business. That is not their line of business. Their business is purely transportation and, in my opinion, it should be confined to that.

Senator WADSWORTH. It has been the tendency of the Federal legislation in the past year to try to confine it to transportation business.

Mr. BUCKINGHAM. I have had my fingers cracked by the Railroad Administration for getting out of line.

Senator NORRIS. What is the capital stock of the stockyards company?

Mr. BUCKINGHAM. \$7,500,000.

Senator NORRIS. Is there any part of that that is water?

Mr. BUCKINGHAM. That is another statement we hear a great deal of. The Omaha yards started about 35 years ago in a small way, as a feeding-in-transit proposition. I happened to be in Omaha connected with the Union Pacific Railroad at that time, therefore I am somewhat familiar with this. Prior to that and up to that time we were

loading a great deal of Texas stock at Ogalalah and Pine Bluffs. Ogalalah was really considered the end of the Texas drive in those days. We would load four or five trains of stock every day in the fall and bring it through to Omaha, and I am free to say on about passenger-train time, and it would go to Council Bluffs, across the river, and there feed en route to Chicago, which was practically the only market in the west at that time. Some of our citizens thought that the feeding yards should be located on the west side of the river, and they started these South Omaha yards, and for the first year, or two there was no packing house there. It was simply feeding the stock in transit.

Then the yard company itself built a small packing house, and, as I recollect it—this is gained partly from hearsay—they gave some packing company a bonus to come there and operate it. That is, as I got the story.

Senator NORRIS. My question is a very simple one. It does not pertain to all this history about Ogalalah.

Mr. BUCKINGHAM. I think you ought to have it.

Senator NORRIS. I have no objections to your telling it, but the question is, Is any of the stock watered?

Mr. BUCKINGHAM. My explanation will probably answer that question. They got this packing house built. It was not very successful. That firm left there and later on there was another firm came along and took it over, and I think a second small house was built, and from then on the yards gradually built up as a traffic center, and as the additional land was taken in and additional facilities provided, the stock was increased. I think as the value of the property increased, the stock was increased, accordingly, and in that way, if you want to call it "watered," I think you can safely do so.

Senator NORRIS. How much of the capital stock is there, \$7,500,000, did you say?

Mr. BUCKINGHAM. Yes.

Senator NORRIS. How much of that has actually been paid in cash?

Mr. BUCKINGHAM. I can not answer that question; I have been there 11 years.

Senator NORRIS. How much of the stock was given to any of the packers as a bonus?

Mr. BUCKINGHAM. I can not say how much was given to the packers as a bonus. I have been in charge of the yards 11 years, and during that period there have been no bonuses, no donation of any kind to the packers or anybody else; and I understand that there has been no stock changes—that is, that the stock has been \$7,500,000 since 1898. I think it was increased in 1897 or 1898, and I might add, for your information, that the Federal Trade Commission had a representative in our office for about three weeks. He was given access to every paper that we had. He was permitted to read our minute books from the first starting of it away up to date. He knows exactly what was done in the way of stock, so that you have the actual figures here, and I can not give them to you.

Senator NORRIS. I have not got them just before me, but the Federal Trade Commission reported, I think, that over 50 per cent of the stock was stock dividends or pure water.

Mr. BUCKINGHAM. I do not know anything about that.

Senator NORRIS. What is the profit of the Omaha Stock Yards Co.?

Mr. BUCKINGHAM. Our profits—the greatest profit we have made on the stock is 12 per cent, I believe.

Senator NORRIS. That is on your capital stock?

Mr. BUCKINGHAM. That is on our capital stock, and we figure that that capital stock is well represented by the valuation of the property of approximately \$10,000,000.

Senator WADSWORTH. You have not raised your prices on yardage for how long?

Mr. BUCKINGHAM. For 25 years. I am afraid that we will have to put it up pretty soon, the way things are going.

Senator NORRIS. What was your profit last year on hay?

Mr. BUCKINGHAM. I have not the figures with me, but I would say that our hay was costing us during the past year from, say, \$24 to \$27.50 per ton, and we finally raised the price of the hay to \$35 per ton. You must add to that \$24 and \$27.50, an expense for handling of from \$2.50 to \$3 per ton, taking in your overhead and everything, and that, as I recollect it, does not include the water furnished or the cleaning of the pens, which is a different job.

Senator NORRIS. You would have to clean the pens, anyway, whether you had any hay or not?

Mr. BUCKINGHAM. Not to the same extent, as if the cattle eat 25 or 30 tons of it there.

Senator NORRIS. Do you know what the profit on hay was in 1914?

Mr. BUCKINGHAM. I can not answer you offhand. I do not carry those figures around with me, you know.

Senator NORRIS. I will give you the figures here that the Federal Trade Commission got. They say that you made a profit that year, 1914, of \$136,420.14.

Mr. BUCKINGHAM. I want to explain that one thing. We never kept our books for the benefit of the Federal Trade Commission or to make what you might call a satisfactory showing of that sort of thing. For example, that item of \$136,420.14 represents the difference between the cost of the hay and what we sold it for, less the actual wages of the men who handled the hay. These other expenses I speak of, the overhead, insurance, storage, cleaning pens, furnishing water and all that sort of thing is not taken into account there at all.

Senator NORRIS. You charge yardage for those same pens.

Mr. BUCKINGHAM. We charge the yardage for the use of the pens and the service of weighing—

Senator NORRIS (interposing). The Federal Trade Commission claims that you made a profit in 1916 on hay of \$237,861.08, and they say it is a net profit—they have deducted from the proceeds of the hay \$261,769.35 as the cost of the hay and the labor in handling it.

Mr. BUCKINGHAM. That is simply the actual labor of the men handling the bales onto the wagons, and with the wagons, going with it to these pens and getting up on the fence and breaking the bales and scattering the hay in the manger.

Senator NORRIS. Yes; the overhead charges ought to be at least represented by those figures.

Mr. BUCKINGHAM. If you are going to take a hay business, then we would have to sit down and figure out all of the money, all of the

many things that should be charged. A proportion of my salary should be charged to that hay account.

Senator NORRIS. What is your salary, Mr. Buckingham.

Mr. BUCKINGHAM. \$10,000.

Senator NORRIS. What other salaried officers are there and how much do they get?

Mr. BUCKINGHAM. The president, Mr. Dunham, gets \$5,000, the secretary, Mr. Sharp, gets \$5,000 a year, and those are the principal salaries.

Senator NORRIS. Most of the others are laborers?

Mr. BUCKINGHAM. Well, we have men that we pay as high as \$350 a month; they are experts in their line of business, and have been with us a great many years.

Senator NORRIS. You get your expenses, of course.

Mr. BUCKINGHAM. Surely.

Senator NORRIS. Do you know the total cost of the operation, including all expenses, overhead charges, salaries, and everything, of the Omaha Stock Yards for a year?

Mr. BUCKINGHAM. I have got to answer you in this way: We have always kept our expenses in a department way, for example, the railroad department. We keep the accounts of that department entirely separate, and take into the stock yards company account simply the net earnings from the railroad department; the net earnings from the hotel department; the net earnings from the horse and mule business; the net earnings from the shipping department; the net earnings on hay and grain. In other words, in any statement that the Federal Trade Commission made, I assume the gross figures of these various departments were not taken into consideration. I see where they have made a mistake of 60 or 65 per cent, or something of the kind. Well, that is true, based on the figures they had. But had they used the gross figures, taking the gross expense for hay, and the gross expense for the railroad department, and the gross expense for each one of these other departments, and added them into this total volume, the result would be the same, but the expense far different.

Senator NORRIS. I would like to get that, if I can.

Mr. BUCKINGHAM. I will make up a statement on these lines, which will bring those figures down—instead of being seemingly a high percentage, it will reduce it 20, 25 or 30 per cent.

Senator NORRIS. There is no doubt, Mr. Buckingham, on the actual cash paid in, the capital stock of the Omaha Stock Yards Co. that it made a profit of 25 per cent last year.

Mr. BUCKINGHAM. I am absolutely unable to answer you the amount of cash actually paid in. Therefore, I can not give you the correct answer to that question.

Senator NORRIS. Both you and Mr. Sharp are officers and salaried men of the Omaha Stock Yards, Mr. Buckingham? You are two of the men that voted practically all of the proxies and do at every annual meeting?

Mr. BUCKINGHAM. We vote a good portion of the proxies; yes, sir.

Senator NORRIS. Do you have any idea, Mr. Buckingham, that if your conduct and Mr. Sharp's conduct was not satisfactory to the great packers that you would get those proxies, and that you would hold your positions for any length of time?

Mr. BUCKINGHAM. When you say the "great packers" let us put it in our case the one great packer.

Senator NORRIS. No, I would not do that, although you can if you want to.

Mr. BUCKINGHAM. No doubt if my conduct was not as it should be Mr. Armour or any other of the stockholders holding a reasonable amount of stock—for that matter it does not make any difference how much stock they own—would be probably after me and disposed to get rid of my services.

Senator NORRIS. Do you not think it is true that the large packing interests in your corporation or any other corporation where they control from 15 to 25 or 40 per cent of the stock of a corporation, even though they do not hold a majority of it, that, for all practical purposes, they control it?

Mr. BUCKINGHAM. Well, they control, with the consent of the balance of all the stockholders, which in our case is the majority, yes; that is the only way they controlled that I know about.

The CHAIRMAN. The consent or acquiescence?

Mr. BUCKINGHAM. Either way, put it as you please.

The CHAIRMAN. You stated a minute ago, and I was diverted, Mr. Buckingham, of course, the manufacturing service does not begin until the cattle leave the yards and the transportation service ends when they go from the car into the unloading chute?

Mr. BUCKINGHAM. Yes, sir.

Senator NORRIS. The services and functions between those two you declared to be that of the public market?

Mr. BUCKINGHAM. Absolutely, and nothing else. You can call it a rose, if you want to, but it is no rose.

Senator NORRIS. A packing yard would not be properly called a "rose."

Mr. BUCKINGHAM. It certainly ought to be called a stock-yard market.

The CHAIRMAN. Based on its character as a public market, the Federal Trade Commission has recommended that the public should own public markets.

Mr. BUCKINGHAM. Yes.

The CHAIRMAN. You think that a wise solution of the proposition?

Mr. BUCKINGHAM. Well, Senator, what do you mean by the "public?"

The CHAIRMAN. The Government of the United States, which is the representative and organized public; it is the only way the public can act, through the organized Government.

Mr. BUCKINGHAM. Anything I should say on that would simply be a personal opinion. I do not think the Government is the proper party to take up the functions of commercial life.

The CHAIRMAN. Well, but this you state was a public market.

Mr. BUCKINGHAM. It is a public market, and yet it is directly connected up with the biggest kind of a commercial proposition.

The CHAIRMAN. You think, though, the public market—it ought to be controlled by corporations?

Mr. BUCKINGHAM. I think you will get better results, you will have a better market, and the people will come nearer getting what they want. I would not want to put my business through the Post-office Department, or, in fact, the railroads as they have been handled

in the last year or year and a half by the Government. The Government did the best they could, no doubt, but they had better keep out of commercial business.

The CHAIRMAN. Do you think it would be feasible to have representatives of the public members of your board of directors appointed by the Government, and also appointed by an organization of producers?

Mr. BUCKINGHAM. May I speak about our directors right there, Senator?

The CHAIRMAN. Yes, answer my question first.

Mr. BUCKINGHAM. I do not think there would be any objection to that at all. Our transactions are absolutely open. Anybody can know what is going on if they want to.

The CHAIRMAN. Is it possible for your stock yards concern, by any action it can take, to bring about a reaction on the prices of live stock in the hands of the producer?

Mr. BUCKINGHAM. I do not know.

The CHAIRMAN. Tell me this: How is this business handled in Canada; the same way as here?

Mr. BUCKINGHAM. I know nothing about Canada in any way, shape, or form.

The CHAIRMAN. Or England or France?

Mr. BUCKINGHAM. I do not think they have very much in England. I am told they led the animals in one at a time and tied them to a fence and a fellow comes along and buys them; I do not know how it is.

The CHAIRMAN. Are you familiar with Detroit, where the railroad company owns the stockyards?

Mr. BUCKINGHAM. I am not familiar with the stockyards situation. I have not been in Detroit for 25 years. I understand a railroad company there owns the stockyards, and I have been informed by some of my commission men friends that a railroad company owns the stockyards at Buffalo; and if the story is correct, as I get it, the service at those two places is very unsuccessful to the shipping public. I am simply giving you hearsay only now.

Senator KENYON. Mr. Buckingham, are you related to Col. Buckingham, of Chicago? He is a fine man.

Mr. BUCKINGHAM. I will have to go back into ancient history.

Senator KENYON. Why, are you or are you not? Brother, cousin, or what?

Mr. BUCKINGHAM. I have never found any Buckinghams but what were related directly or indirectly. They all come from one place.

Senator KENYON. He is a fine looking man.

Mr. BUCKINGHAM. I have never seen him. The nearest I came to seeing or knowing a Buckingham in Chicago was during the exposition. I heard the name "Buckingham" as I went through the turnstile, but I could not locate the party.

Senator KENYON. You do not know Col. Buckingham?

Mr. BUCKINGHAM. No; I do not know him.

Senator KENYON. He is counsel for the packers.

Mr. BUCKINGHAM. I do not even know that.

I just wanted, if I may be permitted, to say one or two words about this bill, S. 5305: It says, the bill is to "Stimulate the production, sale, and distribution of live stock and live-stock products, and for

other purposes." When they get over into the body of the bill, I can not find anything there that seemingly has a tendency to stimulate the production and distribution of live stock. I do not know what the other purposes are; they may be all right.

There is a provision here that "No common carrier, including any railroad company, express company, car company, etc., shall deliver to or unload at any stockyards owned in whole or in part by any licensees under section 2 of this act."

Where more than 10 per cent of the stockyards' stock is owned by a licensee or a packer—and it goes on and enumerates.

It looks to me as though that is a pretty serious provision. The Federal Trade Commission report says that Mr. Armour owns 19 per cent of the stock in the Chicago stockyards. I do not know whether he does or not, that is their report. But if this bill became a law, and Mr. Armour declined to reduce his stock to less than 10 per cent, it would mean the closing down of the Chicago stock market, and it would naturally result in the closing up of all the packing plants that are served by that market. I do not know that Mr. Armour would want to do that, or any other packer would want to do otherwise than to reduce his stock in accordance with the requirements of this bill, but the fact is that it could be done.

Another thing that occurs to me: It may be a little far-fetched—but we will take another packing company, for example, Cudahy Packing Co., who have no packing house in Chicago, and therefore are not interested in the Chicago market, but are directly interested at Missouri River markets where they have slaughterhouses. It would be a very simple matter for the Cudahy Packing Co., or some similar company, under like conditions, to acquire in excess of 10 per cent of the stock of the Chicago Stockyards Co., and close up the whole market, and say, "Come out West and do your business." It does not look to me like it is very good legislation. You gentlemen are the judges of that.

The CHAIRMAN. Mr. Taggart, formerly Congressman from Kansas, will now be heard.

STATEMENT OF HON. JOSEPH TAGGART, EX-CONGRESSMAN FROM THE STATE OF KANSAS.

Mr. TAGGART. I will say I was a Member of the Sixty-second, Sixty-third, and Sixty-fourth Congress, a member of the Judiciary Committee in the last or Sixty-fourth Congress, and the resolution to investigate the packing companies was brought before that committee. Several resolutions were introduced, and an exhaustive hearing was had by a subcommittee resulting in a published report, and finally the last resolution introduced by Mr. Borland of Missouri was referred to the House and passed the House on the 28th of February, 1917.

I was amazed to see statements in a newspaper here reciting the fact that I had opposed that resolution. The record that I have here shows that I voted for it. The record of the Judiciary Committee shows that 11 of the 15 Members who were present on December 17 voted to report the resolution. I was one of those. There were several resolutions before a subcommittee, and they were referred to the full committee by a subcommittee of which I was a member. There

record of that vote, but was afterwards referred to the whole committee without recommendation. The only thing the subcommittee could agree on.

The record, of course, being complete evidence of who voted for and who did not, so far as votes are concerned, was not the matter at I wished to discuss or call the attention of the committee to. The statement was contained in the newspaper—whether it was true or not—purported to quote some witness to the effect that the packing company had contributed to my campaign fund \$1,000, or the packing company or packing companies. I was a candidate for Congress in 1916, and I wish to state to the committee that no such contribution was made. I had heard rumors of that before, and have made diligent inquiry before the committee that handled political matters, and they assured me, and I believe them, that no such contribution was made.

The record against evidence or statements made before the committee in my absence purporting to be what was reported to somebody by some one who saw what somebody else wrote. If a man's reputation is trifled with in that way before a Senate committee, there is no one of us safe.

I was going to ask the committee, perhaps it may be somewhat presumptuous—but I have served in the public service here a considerable time, that when the reputation or character of any member or former member of the Legislative body of the United States is called in question here, that whoever wishes to question it should be put on oath and required to tell what he knows.

Another statement was made here to the fact that I took part in an investigation, was employed for a while. It was stated here that I was discharged by the Federal Trade Commission, or it was stated in the newspaper. That statement is wholly untrue. I resigned from the Federal Trade Commission. The secretary of the Federal Trade Commission will inform you of that over the telephone, and save me the time, if necessary; or bring up my letter of resignation and the substance of it.

The record is here for the 28th of February, 1917.

CHAIRMAN. I suggest that in connection with the statement of Mr. Faraway and the statement of Mr. Iggoe on Saturday that you submit a list of the Judiciary Committee at that time and this vote in connection with it.

TAGGART. The vote in the House is shown here in this copy of the record for the 28th of February.

The record of the vote in the House of Representatives submitted by Mr. Taggart is here printed in full as follows:

(Roll No. 57.)

Yeas, 247.

Mr. Able.	Aswell.
	Ayres.
Mr. A.	Barkley.
	Black.
Mr. B.	Blackmon.
	Booher.
	Borland.
Mr. C.	Browne.

Bruckner.	Goodwin, Ark.
Brumbaugh.	Gray, Ala.
Burgess.	Gray, Ind.
Burke.	Gregg.
Caldwell.	Griffin.
Callaway.	Hamill.
Candler, Miss.	Hamlin.
Cantrill.	Hardy.
Caraway.	Harrison, Miss.
Carlin.	Harrison, Va.
Carter, Mass.	Hart
Carter, Okla.	Haskell.
Cary.	Hastings.
Casey.	Haugen.
Chandler, N. Y.	Hawley.
Charles.	Hayden.
Church.	Heaton.
Cline.	Heflin.
Coleman.	Helgesen.
Collier.	Helvering.
Connelly.	Henry.
Cooper, Ohio.	Hernandez.
Cooner, Wis.	Hilliard.
Copley.	Holland.
Cox.	Hollingsworth.
Crisp.	Hood.
Crosser.	Houston.
Cullop.	Howard.
Curry.	Huddleston.
Dale, N. Y.	Hughes.
Dallinger.	Hull, Tenn.
Davenport.	Igoe.
Davis, Tex.	Jacoway.
Decker.	James.
Denison.	Johnson, Ky.
Dent.	Keating.
Dickinson.	Kennedy, R. I.
Dill.	Kent.
Dixon.	Kettner.
Dooling.	Key, Ohio.
Doolittle.	Kiess, Pa.
Doremus.	Kincheloe.
Dowell.	King.
Dupré.	Kinkaid.
Eagan.	Kitchin.
Eagle.	Konop.
Edwards.	Langley.
Ellsworth.	Lazaro.
Elston.	Lee.
Emerson.	Lenroot.
Esch.	Lever.
Estopinal.	Lewis.
Evans.	Lichel.
Farr.	Lindbergh.
Ferris.	Littlepage.
Fields.	Lloyd.
Flood.	London.
Flynn.	Longworth.
Foster.	McClintic.
Frear.	McCorkle.
Freeman.	McCracken.
Gallagher.	McCulloch.
Gallivan.	McDermott.
Gandy.	McGillcuddy.
Gardner.	McKellar.
Garner.	McLemore.
Glass.	Maher.

.	Shouse.
.	Siegel.
.	Sims.
ll.	Sinnott.
gue.	Slsson.
.	Slayden.
n, La.	Sloan.
a, Okla.	Small.
.	Smith, Idaho.
.	Smith, Mich.
.	Smith, N. Y.
y.	Smith, Tex.
.	Sparkman.
.	Stafford.
ls, S. C.	Steagall.
s, Mich.	Stedman.
.	Stephens, Nebr.
.	Stephens, Tex.
d.	Stone.
.	Stout.
messy.	Sweet.
yer.	Swift.
t.	Switzer.
.	Taggart.
.	Tague.
.	Talbot.
.	Taylor, Ark.
.	Temple.
3.	Thompson.
.	Tillman.
.	Timberlake.
.	Tinkham.
ll.	Towner.
.	Von Dyke.
.	Vinson.
s, Nev.	Walker.
.	Watkins.
.	Watson, Va.
.	Webb.
3, Ga.	Whaley.
3, Mo.	Wheeler.
l, Mo.	Williams, W. E.
l.	Wingo.
Mich.	Winslow.
Pa.	Wise.
.	Woodyard.
eford.	Young, N. Dak.
nberger.	Young, Tex.

Nays, 158.

ook.	Burnett.
.	Butler.
rach.	Byrnes, S. C.
.	Campbell.
eld.	Cannon.
art.	Capstick.
.	Chiperfield.
.	Clark, Fla.
t.	Coady.
s.	Cooper, W. Va.
.	Crago.
l.	Cramton.
ing.	Dale, Vt.
nan, Ill.	Danforth.

Darrow.	Magee.
Davis, Minn.	Mann.
Dempsey.	Meeker.
Dewalt.	Miller, Del.
Dies.	Miller, Minn.
Dillon.	Miller, Pa.
Driscoll.	Moore, Pa.
Drukker.	Moore, Ind.
Dyer.	Morrison.
Edmonds.	Moss.
Fairchild.	North.
Fess.	Oakley.
Fitzgerald.	Page, N. C.
Fordney.	Paige, Mass.
Foss.	Parker, N. J.
Fuller.	Parker, N. Y.
Garland.	Peters.
Garrett.	Platt.
Gillett.	Pou.
Glynn.	Pratt.
Godwin, N. C.	Price.
Good.	Ragsdale.
Gordon.	Ramseyer.
Gould.	Rayburn.
Gray, N. J.	Ricketts.
Green, Iowa.	Roberts, Mass.
Greene, Mass.	Rodenberg.
Greene, Vt.	Rogers.
Griest.	Rowe.
Guernsey.	Russell, Ohio.
Hadley.	Sanford.
Hamilton, Mich.	Saunders.
Hamilton, N. Y.	Sears.
Hayes.	Sherley.
Helm.	Sherwood.
Hicks.	Slemp.
Hopwood.	Smith, Minn.
Hulbert.	Snell.
Hull, Iowa.	Snyder.
Humphrey, Wash.	Steele, Iowa.
Humphreys, Miss.	Steele, Pa.
Husted.	Steenerson.
Hutchinson.	Stephens, Miss.
Johnson, Wash.	Sterling.
Jones.	Stiness.
Kahn.	Sulloway.
Kearns.	Summers.
Kelster.	Sutherland.
Kelley.	Taylor, Colo.
Kennedy, Iowa.	Thomas.
Kreider.	Tilson.
Lafean.	Teadway.
La Follette.	Vare.
Lehbach.	Venable.
Leshner.	Valstead.
Linthicum.	Walsh.
Lobeck.	Ward.
Loft.	Wason.
Loud.	Watson, Pa.
McArthur.	Williams, T. S.
McFadden.	Williams, Ohio.
McKenzie.	Wilson, Ill.
McKinley.	Wilson, La.
McLaughlin.	Wood, Ind.
Madden.	Woods, Iowa.

Answered "Present," 1.

Gard.

Not voting, 28.

Anthony.	Hill.
Beakes.	Hinds.
Benedict.	Howell.
Buchanan, Tex.	Johnson, S. Dak.
Byrns. Tenn.	Lieb.
Carew.	McAndrews.
Conry.	Matthews.
Costello.	Mooney.
Doughton.	Oglesby.
Dunn.	Rauch.
Farley.	Riordan.
Focht.	Rowland.
Graham.	Tavener.
Hensley.	Wilson, Fla.

Then, the shortest way to get a list of the Judiciary Committee is to take a directory for the Sixty-fourth Congress. I would not venture to call the committee by name. I think there were 21 of them.

(The names of the members of the Judiciary Committee referred to by Mr. Taggart are here printed in full as follows:)

Edwin Y. Webb, of North Carolina.
 Charles Carlin, of Virginia.
 Robert Y. Thomas, jr., of Kentucky.
 Joseph Taggart, of Kansas.
 William L. Igoe, of Missouri.
 Warren Gard, of Ohio.
 William Elza Williams, of Illinois.
 Richard S. Whaley, of South Carolina.
 Harry H. Dale, of New York.
 Thaddeus H. Caraway, of Arkansas.
 M. M. Neely, of West Virginia.
 Henry J. Steele, of Pennsylvania.
 J. Randall Walker, of Georgia.
 Andrew J. Volstead, of Minnesota.
 John M. Nelson, of Wisconsin.
 Dick T. Morgan, of Oklahoma.
 Henry G. Danforth, of New York.
 George S. Graham, of Pennsylvania.
 Walter M. Chandler, of New York.
 Leonidas C. Dyer, of Missouri.
 Hunter H. Moss, of West Virginia.

I do remember, however, that Mr. Quickel, clerk of the committee then and the present clerk of the committee, took down the record of the yea and nay vote on reporting the Borland resolution, and that he has it, and I have no doubt would be glad to bring it over here and show the record of the vote to be 11 to 15. I can not remember the names of those who voted against it, and I can not name all of the 11, with the exception of myself, to be sure, who voted for it.

The CHAIRMAN. The best way would be to have the record, and I think the record goes in with this, so that everybody may see it.

Mr. TAGGART. This Mr. Carlin, whose name has been mentioned here, voted to report the resolution to Congress. In fact, there was a statement made before the Federal Trade Commission down there to the effect that I was defeated through the efforts of the packing companies because I had favored and voted for this resolution. I

am at sea, and somewhat amazed at these contradictory statements—one that they fought me, and at the same time contributed to my success, and another that they did not fight me, but contributed to my campaign fund. Several amazing things as far as that is concerned, took place in reference to these men who voted for or against these resolutions.

I know where two cattle districts are in Kansas. In one of the districts a man who voted against it was elected by more than 10,000 majority, and in the next adjoining district a man who took great interest and worked for it was defeated by more than 10,000. And the packing houses did not control either one of those districts. Anybody knows that rural districts consist principally of farmers.

I believe that that is all I have to say with reference to it.

I will beg of the Senate Committee that whenever my reputation is called in question to be kind enough, in the absence of whoever may be accused, to require whoever has anything to say about it to go on oath.

Mr. Garner was mentioned and exculpated, and all that. He is one of the best gentlemen that ever served in Congress, a man who's life is as pure and good as that of any who ever served. He declined to vote for or against, and he is found voting present, and not paired. A statement was introduced with it that he could be controlled, and taken back. He could not be controlled, and now he is indicated as present.

The CHAIRMAN. Now if Mr. Taliaferro is present we will hear him.

**STATEMENT OF MR. THOMAS W. TALIAFERRO, VICE PRESIDENT
AND GENERAL MANAGER HAMMOND, STANDISH & CO., DETROIT,
MICH.**

The CHAIRMAN. Mr. Taliaferro, please state your full name, address, and business to the stenographer.

Mr. TALIAFERRO. My name is Thomas W. Taliaferro, and I am vice president and general manager of the Hammond, Standish & Co., Detroit, Mich.

The CHAIRMAN. Your firm is engaged in what business?

Mr. TALIAFERRO. In pork packing—pork, beef, and stock slaughtering.

I have a little prepared statement here, Senator, that perhaps if you have no objection it might just give you a line on some items that perhaps are a little bit obscure in this proposition, and you might like after I have finished it to ask some questions.

The CHAIRMAN. Proceed to make your statement, Mr. Taliaferro, and then we will be glad to ask any questions.

Mr. TALIAFERRO. Mr. Chairman and gentlemen of this honorable committee, I hope this will lay before you some facts in connection with the packing business in general and Hammond, Standish & Co. in particular, that may help to clear up some of the disputed points now under consideration, and I have been in the business 38 years. Ours is a Michigan corporation, located with a packing house in Detroit. It has a capital of \$834,000. It has two distributing branches, one each in Saginaw and Bay City, Mich. It is absolutely

independent and not allied with any other business in any manner whatsoever.

The business was started in 1859 as a partnership, was incorporated in 1880 for a period of 30 years, and in 1910 its corporate existence was extended for an additional period of 30 years.

The present plant is located on the original ground occupied by the first plant of the Hammond family, and from which sprang all of the Hammond companies, but it was left in the ownership of the Hammond and Standish families when the remaining part of the plants and business was sold to an English syndicate. It remained one of the smaller of the so-called small packers until 1908 when it began to grow and enlarge by the introduction of modern and progressive methods of management which is about 90 per cent of the success of any business and practically so in the packing business handling such a large per cent of perishable products.

The growth of this company was steady, but did not show itself to a marked extent until 1911, when enlarged and modern buildings were available. In 1916 they did a business of \$10,858,000; in 1917, \$14,000,000; in 1918, \$21,388,000.

This concern does a general meat packing business almost exclusively, but handles some produce, canned salmon, and fish from its packing house and two branches.

We bought in about 1909, 25 dressed beef refrigerator cars and 15 double-decked live stock cars, but we found it was not possible or practicable to operate such a small number except at a considerable loss. So we sold them in 1916 at about 25 per cent of the cost as we found out we could get a full supply of suitable cars from the railroads, and usually can get a beef car from some of the larger factories if in need of it, and there is no special shortage at the time. We have also found out that by freezing the beef we can use almost any kind of a railroad-owned refrigerator car, and this makes it less necessary that exclusively fresh beef cars be used. Frozen beef is the proper way of handling fresh beef anyway, and if all fresh beef was handled that way an immense yearly loss would be prevented caused by the uncertainties of transportation and handling.

We have always found all the competition we cared to face in the buying and selling end of the business and we have seen no combinations or conditions at any time except the operation of the well-established law of self-preservation, which is the first law of nature. The last time we had occasion to investigate the matter, we found in the city of Detroit and its suburbs that about 66 per cent of the dressed beef sold in that territory was killed by local slaughterers without even Government inspection. This is the general rule in eastern sections, we believe.

I understand the peddler or route car operated by the packers has been the subject of unfavorable comment, but I wish to say that this method is the only way that farmers and residents of rural communities can get Government-inspected fresh meats which are sweet, sound, wholesome, and fit for human food. And there is no element of danger to any one and is a blessing in disguise. We do not operate route cars, because we are unfavorably situated geographically and from an operating railroad standpoint. We slaughter yearly about 300,000 hogs, 25,000 cattle, and 25,000 small

stock. These animals are purchased about 70 per cent in the western markets, such as Indianapolis, Cincinnati, Chicago, and St. Louis and Missouri River points, including occasionally St. Paul, and 30 per cent locally in the Michigan Central stockyards, owned and operated by the Michigan Central Railroad Co., and is, along with other yards, now under Government license, and, as far as I know, the licensing of the stockyards of the country has not made one single change or corrected any supposed abuses, because there were none to be corrected that operating under a license could correct. I know the Detroit yards and the Buffalo yards are owned by the Michigan Central Railroad and the New York Central Railroad, and as far as the Detroit yards are concerned, they are notoriously mismanaged and they will never handle the amount of live stock that a privately owned yard would, as the item of personality and cooperation is lacking.

I had a letter in my pocket which was written to me by my buyer in the Michigan Central Stock Yards that was a culmination of a controversy that had been going on for 10 years to get abuses corrected, and I, unfortunately, left it at the hotel. But I would like very much, Mr. Chairman, if you will allow me to present that letter as soon as I get it, because it bears on this subject of improper and faulty management and operation of a railroad-owned yard.

I know these conditions as they exist in Detroit and I also know that they do not exist, except in a very small extent, in the yards that are operated by interests that are interested in the human and humane handling of live stock.

The packers originally bought an interest in yards primarily to correct abuses mentioned, as every bruise and every crippled animal means much loss to them, and as long as the railroads own and operate the yards in Detroit these abuses and faults will exist. I do not care who owns the stock yards, but it has been proven that the yards that are best managed are those in which the packers are interested.

(The letter referred to was not subsequently furnished by Mr. Taliaferro.)

I am not interested in any way and never have been, but if we were interested in the Michigan yards they would be operated right or they would not be operated at all.

The CHAIRMAN. Have you made any effort to acquire them?

Mr. TALIAFERRO. I have in a number of instances made application to the Michigan Central Railroad to be allowed to dictate as to the manner in which the yards should be operated and also have a say as to the men employed. In every case, of course, I have been turned down and have been refused, as would be natural. I had no business managing a railroad property, but if I had the yards I will bet there would be fewer cripples and there would be less dead hogs, and the stock would be handled humanely.

Senator GRONNA. May I ask a question, Mr. Chairman?

Do you mean there would be less crippled animals go to the packers to be slaughtered?

Mr. TALIAFERRO. Yes.

Senator GRONNA. And that there would be fewer cripples in the yards?

Mr. TALIAFERRO. I mean there are more cripples now than there would be, than there ought to be, and there are more, a great many more than would be if I had anything to do with it.

Senator GRONNA. Do you think the packers would have any control over how the animals should be handled on the road while being shipped in transit?

Mr. TALIAFERRO. No; but if they did have control on the roads there would be less cripples there, because it means dollars and cents to them.

Senator GRONNA. I understood that you said that the yards that were handled by the packers were less apt to bruise animals. Did I misunderstand you?

Mr. TALIAFERRO. You understood me correctly.

Senator GRONNA. How did you make that out?

Mr. TALIAFERRO. Because we buy hogs in the yard, in all of the yards, and we know.

The CHAIRMAN. Do you mean they get bruised in the yards and crippled in the yards?

Mr. TALIAFERRO. They certainly do; there is the place they get bruised, although they could get bruised in transit some.

The CHAIRMAN. That could not be mended by the packers owning the yards?

Mr. TALIAFERRO. I do not care whether the packers own the yards, Senator, but I do say that where a packer is interested in whether the hogs are crippled or bruised makes the greatest difference in the world as to what he is going to have to say in the management of those yards.

Senator GRONNA. I was curious to know how you could remedy the transportation so that less animals would be bruised if the yard was owned by the packers. That is really what I was interested in.

Mr. TALIAFERRO. In transportation, you mean?

Senator GRONNA. In transit. You know what I mean by "transit?"

Mr. TALIAFERRO. They can not control transit, Senator. They only have an influence to see that the stock is humanely handled in the yards themselves.

Senator GRONNA. There are some yards now where the packers have control. Is not that true? Are there not some yards now where the packers have control of the yards?

Mr. TALIAFERRO. In their own private, personal yards, where the man may have a yard in his packing house, he may buy in the country and ship to himself; those hogs are virtually free from bruises, as we have been demonstrating ever since we have been in the business, because we have those hogs shipped direct to us; yes, sir.

Senator GRONNA. Would not your idea be simply a question for the inspectors, and your argument is that, in effect, they ought to cut out more bruised animals. Is not that the force of that argument?

Mr. TALIAFERRO. No.

Senator GRONNA. It would be in the interest of the packers.

Mr. TALIAFERRO. It would be in the interests of the world and nation, that we do not have such an uneconomic loss. In this item I mentioned of 1,052 hogs received, 40 cripples, or 24 more than we bought the day before.

Senator GRONNA. That would be due to negligence in the yards?

Mr. TALIAFERRO. In the yards.

Senator GRONNA. And not in transit?

Mr. TALIAFERRO. In the yards. We can not control the transit nor any packer interest in the yards, nor anyone who has a primary interest in the outturn of the live stock could correct anything in transit.

Senator GRONNA. It is your complaint, then, as I understand, simply against the way animals are used in the yards wherein they are in absolute control by the packers.

Mr. TALIAFERRO. It is not so, Senator. I did not say that. I do not care who controls the yards; but I say it is human nature to suppose that if a man is interested in the place where the stock is handled, and if that stock is handled to a detriment, he is going to try to correct it.

Senator NORRIS. Why is it to his detriment? Assuming that he would own the refining plants that handled the dead animals, is it not true that that correction, in every one of these yards that handle stock, make more money on the crippled, dead hogs that come in than they do on the hogs that do not die, but are consumed in the regular way?

Mr. TALIAFERRO. That is not an economic question.

Senator NORRIS. Yes, it is. Does not the man or the corporation, as shown by statistics, who buys these dead or crippled hogs, and renders them, make more money than the packer does who gets the hog if it was not crippled and killed, and kill it in the regular way?

Mr. TALIAFERRO. That seems to be the idea prevailing with a great many people around this country, that the packer controls the rendering plant, and that is what makes the most money for him regardless of any conditions.

Senator NORRIS. Get away now from the idea that you want to protect the packers, and just eliminate them all.

Mr. TALIAFERRO. I do not want to protect them.

Senator NORRIS. Is it not true that the rendering company which gets these dead hogs that die in transit or that are crippled in the yard and die, makes more money on his business than the packers would make if the hog was not crippled and went through the regular slaughter in the slaughter house?

Mr. TALIAFERRO. We do not own rendering works.

Senator NORRIS. I know you do not; but still, you are not answering my question.

Mr. TALIAFERRO. I should say that sometimes a man makes more money on rendering a dead hog than he makes on slaughtering a live one. But those conditions may change, and the reverse may be true.

Senator NORRIS. That may happen sometimes. Maybe we will get some legislation that will change that. But, as a matter of fact, is it not true in every one of those packing establishments that the man or the corporation who handles the dead and crippled hog makes a bigger profit than the packer makes if the hog were not crippled or killed on its way to the slaughter house?

Mr. TALIAFERRO. I would not say so, no.

Senator NORRIS. Do you know what the facts are?

Mr. TALIAFERRO. I know something about it. I have been in the business 38 years.

Senator NORRIS. Now, here are the figures showing the profit made by the rendering company at Omaha.

Mr. TALIAFERRO. I happened to be the president of that company about thirty years ago.

Senator NORRIS. The Federal Trade Commission in their report say that they made a percentage of profit on the actual invested capital in 1916 of 80 per cent.

Mr. TALIAFERRO. All right.

Senator NORRIS. That is a greater per cent than would have been made on the same hogs if they had not died in transit.

Mr. TALIAFERRO. Right there, Senator, one thing you must remember: They are figuring the per cent?

Senator NORRIS. Yes.

Mr. TALIAFERRO. Figuring the percentage on two and a half cents a pound and the packers figure a percentage on 17½ cents a pound.

Senator NORRIS. It is a bigger percentage on the money invested in the business. It is a fair way to do, is it not?

Mr. TALIAFERRO. It is a fair way to do, but it makes your percentages run so much higher on your low cost article.

Senator NORRIS. No, but you said if the packers owned and controlled the stock yards they would be interested in seeing that the hogs were uninjured and bruised before they got into the packing plant?

The CHAIRMAN. You mean that the bruises and cripples occurring in the yards would be less under packing house ownership than under railroad ownership?

Mr. TALIAFERRO. I do not say that they would be less, but I say that there are less so far as our purchases go, which are about 70 per cent, the total purchases in our market.

The CHAIRMAN. Do you buy any that are handled through packing house yards in Detroit?

Mr. TALIAFERRO. No, not in the packing house yards in Detroit. I have my own yards at the packing house that I receive shipments direct from the county.

The CHAIRMAN. Over the railroads?

Mr. TALIAFERRO. Over the railroads.

The CHAIRMAN. And the railroads own some yards, too, is that the idea?

Mr. TALIAFERRO. They own the only big public yards there.

The CHAIRMAN. And do you own private yards in connection with your plant?

Mr. TALIAFERRO. Where I store my hogs that I buy on the outside, or those that may want to be shipped to me direct.

The CHAIRMAN. You handle how much through your own yards and how much through the railroads yards?

Mr. TALIAFERRO. A very small percentage, except in the case of the plague, when we received probably 90 per cent of what we killed.

The CHAIRMAN. The point I am trying to make you do not seem to get at all, that neither your yards nor the railroad yards nor the packing house yards can have anything on earth to do with the number of injuries that happen in transit during the transportation in the cattle cars.

Mr. TALIAFERRO. Quite right.

The CHAIRMAN. You mean there are fewer injuries which happen in the yards of the packing houses than happen in the yards of the railroads?

Mr. TALIAFERRO. I certainly do.

The CHAIRMAN. You seem to confuse it all the time, and run back over the railroads and trains. Senator Gronna tried to bring out that point.

Mr. TALIAFERRO. The only trouble when you talk about the railroads—

Senator NORRIS (interposing). What are the injuries?

Mr. TALIAFERRO. Bruises largely.

Senator NORRIS. How do they get them in the stockyards?

Mr. TALIAFERRO. They are bruised usually by using sticks to force a hog to travel one way when he is disposed to travel another.

Senator NORRIS. That is quite a difficult thing to try to get a hog to go where he does not want to go.

The CHAIRMAN. Do the packing house people persuade the hogs?

Mr. TALIAFERRO. Persuade? If you leave a hog alone he will travel himself.

The CHAIRMAN. Will he go in the right direction, though?

Mr. TALIAFERRO. Yes, sir; any direction that is open to him he will.

Senator NORRIS. He may go backwards.

Mr. TALIAFERRO. He will not.

Senator NORRIS. Could this be avoided by humane treatment?

Mr. TALIAFERRO. It is avoided by humane treatment, Senator.

Senator NORRIS. That does not exist if it is avoided.

Mr. TALIAFERRO. But it is not avoided in the Michigan Central a stick, there ought to be some remedy for that.

Senator NORRIS. Take the other yards, any yard; I do not care. I want to get the facts clear as to just how those bruises come, and how they might be avoided. If it is inhumane to punch them with a stick, there ought to be some remedy for that.

Mr. TALIAFERRO. They slip on the ice, for instance, and they pile up in moving along a hog, especially at night.

Senator NORRIS. Are these hogs fed in troughs in the yards?

Mr. TALIAFERRO. The corn is usually thrown on the floor of the pens, spread around.

Senator NORRIS. That is, on the ground?

Mr. TALIAFERRO. On the pavement, the pens are paved either with concrete or bricks.

The CHAIRMAN. Do the railroads permit the ice to accumulate on their yards?

Mr. TALIAFERRO. In Detroit, yes, sir.

The CHAIRMAN. That is one point of difference. But the packing house yards provide just one way for hogs to go, and the railroad yards give the hogs the choice of routes?

Mr. TALIAFERRO. No.

The CHAIRMAN. How is it?

Mr. TALIAFERRO. But the packing house lets him take his time, and the railroads give him a swift kick.

The CHAIRMAN. They say you have got to reason with a mule; I presume that is true with the hogs?

Mr. TALIAFERRO. Certainly.

Senator NORRIS. What yards have you reference to when you refer to the yards controlled by the packers?

Mr. TALIAFERRO. I have not any special yard in mind, Senator; only I know we buy 70 per cent of our live stock in western yards.

Senator NORRIS. But you say that the bruises these hogs receive are more in number and worse in yards controlled by packers than in other yards. I wanted to know where there was a yard controlled by packers. According to some witnesses we have had, there is not any such thing.

Mr. TALIAFERRO. I said that our interested—controlled in which the packers are interested.

Senator NORRIS. Take Omaha, for instance. You buy there?

Mr. TALIAFERRO. We do.

Senator NORRIS. Do you regard that as a packer yard or an independent one?

Mr. TALIAFERRO. I understand that Mr. Armour has some interests there. I was operating in the Omaha yards for 16 years.

Senator NORRIS. Do you regard that as one of the yards where the bruises are worse?

Mr. TALIAFERRO. No, sir; I consider that one of the best managed yards in the country.

Senator NORRIS. As a matter of fact, the witness who just preceded you says that the packers have nothing to do with that yard.

Mr. TALIAFERRO. I do not know that they have. I only understand from the Federal Trade report that Mr. Armour, maybe Mr. Swift—I know some of the packers are interested in it now. They were all interested in some degree when I was there.

Senator NORRIS. The witness who just preceded you says that the Omaha yards are entirely independent of every packer; has nothing to do with the packer; that they do not control it at all; that there may be a little stock control by some packers, but they have no influence in the control of it.

The CHAIRMAN. Do you buy out of any railroad yards instead of Detroit?

Mr. TALIAFERRO. We have in a few instances bought in Buffalo, cattle.

The CHAIRMAN. Those two places are the only experience you have had with respect to railroad-owned yards?

Mr. TALIAFERRO. Yes.

The CHAIRMAN. And you compare that with your experience in your own yards in Detroit; is that the idea?

Mr. TALIAFERRO. And with the stock that we get from other yards in the country.

The CHAIRMAN. How do you get that?

Mr. TALIAFERRO. We buy it there.

The CHAIRMAN. And it comes over your railroads into your yards?

Mr. TALIAFERRO. Not through the railroad yards.

The CHAIRMAN. I see. Your yards are competing with the railroad yards at Detroit?

Mr. TALIAFERRO. Not at all; merely receiving stations.

The CHAIRMAN. Which yard?

Mr. TALIAFERRO. My own, just for the facilities of accumulating hogs to keep the packing house running, or to keep that on an even keel.

Senator NORRIS. Are you acquainted with the Chicago yards?

Mr. TALIAFERRO. I have been there a number of times, Senator.

Senator NORRIS. Do you regard them as packer-controlled or independent?

Mr. TALIAFERRO. I really do not know. I know the stock that comes out of the stockyards is very free from bruises, as far as we are concerned.

Senator NORRIS. Very free?

Mr. TALIAFERRO. Yes.

Senator NORRIS. Do you know whether any of the packers have an interest in that yard?

Mr. TALIAFERRO. Of my personal knowledge I do not.

Senator NORRIS. You have heard Armour has some interest?

Mr. TALIAFERRO. I have heard the report that some of the packers have.

Senator NORRIS. You know also, I presume, from your own experience in the business that there was a time several years ago when the packers did not have any interests in the Chicago yards, do you not?

Mr. TALIAFERRO. Well, I have heard it stated so.

Senator NORRIS. Tell the Committee how the yards, so far as being clean or dirty, is concerned, compares now with what it was prior to the time when the packers had any interest in the yard?

Mr. TALIAFERRO. What time did you say that they did not have any interest in the yard, how long ago was that?

Senator NORRIS. Well, several years ago. You know about that probably better than I do.

Mr. TALIAFERRO. I know there was a time when they received an interest in the stock yards.

Senator NORRIS. How does the condition of the pens and the yards compare with the conditions prior to that time?

Mr. TALIAFERRO. I would say it was infinitely better; there is no question about it.

The CHAIRMAN. You heard the statement of the gentlemen, Mr. Brown, that their main complaint was the fact that their yards were not kept clean at Chicago; and there was a good deal of complaint about it?

Mr. TALIAFERRO. I did not hear him say that they were not kept clean.

The CHAIRMAN. He was the President of the Stock Exchange.

Mr. TALIAFERRO. There may be times when the stock yards are not as clean as they ought to be. Probably this last year or so it would be a physical impossibility, on account of labor conditions.

Senator NORRIS. How often do you see them?

Mr. TALIAFERRO. The stockyards in Chicago?

Senator NORRIS. Yes.

Mr. TALIAFERRO. About once or twice a year.

Senator NORRIS. And you have found them greatly improved so far as cleanliness?

Mr. TALIAFERRO. I have. I used to see them when I was there 25 years ago; I used to see them every day.

Senator NORRIS. Do you think there was a justification for the statement of the man from Chicago stockyards, that the principal com-

plaint they had against the Chicago stockyards was that they were so dirty and they did not keep them clean?

Mr. TALIAFERRO. Why, I heard that statement?

Senator NORRIS. Do you think there is any foundation for that statement given by Mr. Brown connected with the Chicago stock yards?

Mr. TALIAFERRO. There must have been some foundation for his idea that they were not clean if he made the statement.

Senator NORRIS. I should think so. But, still, you have not answered my question.

Mr. TALIAFERRO. Ask it again, then.

Senator NORRIS. You are testifying of your knowledge of that. I am asking you whether you think there is any foundation for that kind of a statement?

Mr. TALIAFERRO. Well, I only see them occasionally, but when I saw them, I say, Senator, that the yards were well kept.

Senator NORRIS. If you think that is an answer to the question we will let it go at that.

The CHAIRMAN. Did you have any trouble with the crippled and bruised cattle bought in Buffalo?

Mr. TALIAFERRO. We have never bought hogs there, only cattle.

The CHAIRMAN. Was there a larger per cent of those injured?

Mr. TALIAFERRO. Oh, no bruises occur with cattle; the bruises with them are secondary, except in respect of far western shipments.

The CHAIRMAN. It is principally hogs?

Mr. TALIAFERRO. Principally hogs, slow-moving or any animals, which are different from the cattle.

Senator NORRIS. Who are the large stockholders in your company?

Mr. TALIAFERRO. There are only four stockholders, Senator. There are four interests there. They are Mr. C. F. Hammond. I will give you the actual stockholders if you like with their holdings.

Senator NORRIS. Yes; I would be glad to have you do that.

Mr. TALIAFERRO. Mr. C. F. Hammond, our president, owns 2,818 shares.

The CHAIRMAN. Out of how many?

Mr. TALIAFERRO. Out of 5,000. C. W. Taliaferro owns 1,000 shares.

The CHAIRMAN. That is you?

Mr. TALIAFERRO. Yes. J. D. Standish, or his estate now, because he died last year, owns 700 shares; Gilbert W. Lee, 332 shares; Sherlock Casbain estate, 150 shares, making 5,000 shares of the common stock. Three hundred and thirty-four thousand dollars of the \$884,000 total stock is preferred stock, which is cut up into a great many small holders and used as an investment, and I have no record of them.

Senator NORRIS. Who is this English syndicate that you said bought out some of your subsidiary plants and interests?

Mr. TALIAFERRO. That was a corporation or company or syndicate of men formed in Liverpool who thought they were coming over here to buy something that was gilt edged, and when they bought it they found out it was a good deal more "gilt" than anything else.

Senator NORRIS. You do not mean to say you drove a good bargain on them?

Mr. TALIAFERRO. I guess the bargain was sharp all right enough, but I was not in it at that time.

Senator GRONNA. Do the packers own any of the preferred stock in that company?

Mr. TALIAFERRO. In our company?—any packer?

Senator GRONNA. Yes.

Mr. TALIAFERRO. No, sir.

Senator NORRIS. Does this syndicate do any business or have any connection with the Wilson Co., Ltd., of England?

Mr. TALIAFERRO. This syndicate, Senator, broke up long ago and sold out.

Senator NORRIS. Did they sell to any of the five big packers, any of the outfit?

Mr. TALIAFERRO. I am not posted on that deal, Senator. It was before I had any connection or bought an interest in the business, but I do know it was very disastrous for the Englishmen.

Senator NORRIS. That is good. (Laughter). Do you sell to any of the big packers?

Mr. TALIAFERRO. Do we?

Senator NORRIS. Yes.

Mr. TALIAFERRO. Both sell and buy.

Senator NORRIS. To and from the packers?

Mr. TALIAFERRO. Yes.

Senator NORRIS. What other business, if any, besides the packing business is Hammond in or any other stockholders?

Mr. TALIAFERRO. Mr. Hammond is in no business except Hammond, Standish & Co.

Senator NORRIS. He is not connected with any banks?

Mr. TALIAFERRO. He was president of the First National—not president, but director, but he resigned because the packing business took too much of his time.

Senator NORRIS. He devotes all of his time to the packing business?

Mr. TALIAFERRO. He does.

Senator NORRIS. How much of your output do you sell to the big packers?

Mr. TALIAFERRO. I suppose 5 per cent, or 3 per cent?

Senator NORRIS. How much do you buy?

Mr. TALIAFERRO. Of the other packers?

Senator NORRIS. Yes.

Mr. TALIAFERRO. Probably 20 per cent.

Senator NORRIS. What do you sell, and what do you buy?

Mr. TALIAFERRO. We sell carloads, usually, of certain meats that we manufacture, for which we have not prompt outlet.

Senator NORRIS. Do they have any packing plant at Detroit, any of them?

Mr. TALIAFERRO. None of the so-called large packers.

Senator NORRIS. You do not have any plant at any place where they have a plant?

Mr. TALIAFERRO. I have not. That is the only plant we have.

Senator NORRIS. You are really not in competition with them, then?

Mr. TALIAFERRO. In every way, both buying and selling.

Senator WADSWORTH. You have to go into the markets, do you not, and buy cattle and hogs?

Mr. TALIAFERRO. We buy cattle and hogs alongside of them, and with them, and against them, and every other way; and it is the same way with respect to cattle.

Senator NORRIS. I had particular reference to the manufacturing part of your business. I mean, you do not have any packing plant where they have a packing plant in any yard?

Mr. TALIAFERRO. No.

Senator NORRIS. That is all.

Mr. TALIAFERRO. You were asking about stock. I would like to put in one protest right here. I own—my family and my two daughters—own the stock in the Hammond, Standish Co. It is not all paid for. In other words, I have some money borrowed on it, not a great deal now, but sometimes I borrow money that I use this stock as collateral.

The Federal Trade Commission wrote not only to me, but to my wife, to my daughters, and to my banker and the other banker friends, and asked them what they knew about this man "Taliaferro"; "did he own his stock, or did he have it in trust for somebody else, or was he connected with some other concerns?" I want to say that that was the greatest damage to me that I ever had done to me in my life, and I am here to protest against such backhanded practices.

The CHAIRMAN. Who did this?

Mr. TALIAFERRO. The Federal Trade Commission.

Senator NORRIS. Would it damage you if they wrote that kind of a letter to your wife and daughter?

Mr. TALIAFERRO. Yes. It might have made a very serious situation for me. I do not think that the Federal Trade Commission has got any business in mixing in my private affairs and looking up my private stock.

Senator NORRIS. That is what a great many other people think. But the theory of the law, and it is the theory of the Federal Trade Commission, I presume, is that it is a part of their duty to look in there in order to find out about combinations and unfair conditions in trade. It does not mean when they make that investigation that they are going to find or believe there is anything wrong in it. I do not see how you would be injured if your wife would get a letter asking what kind of a man you were.

Mr. TALIAFERRO. Asking her if my stock was owned by somebody else, on which I was borrowing money?

Senator NORRIS. Yes.

Mr. TALIAFERRO. I think I would be a hell of a fellow.

Senator NORRIS. Maybe you are. [Laughter.]

Mr. TALIAFERRO. Maybe I am. But I know enough to know that that is a very serious thing.

The CHAIRMAN. You do not want anybody to find that out?

Mr. TALIAFERRO. I am not so anxious about what they might find out, and they will find out, if they do things like that.

The CHAIRMAN. But you do not want them to investigate to find out?

Mr. TALIAFERRO. I do not; I do not think it is right to go to my banker and find out, and ask him "does he know if Taliaferro owns that stock, and if he does own it."

The CHAIRMAN. How would you have them find that out?

Mr. TALIAFERRO. I would have them come to me.

The CHAIRMAN. Would you always? Of course, you would tell them the truth, and the truth would reflect credit on your character

and reputation, of course. But might there not be somebody that would not? Are there not some crooks in business?

Mr. TALIAFERRO. Yes; there are some crooks in business.

The CHAIRMAN. Would they tell the truth?

Mr. TALIAFERRO. I suppose they might and might not.

The CHAIRMAN. How would you have them investigate where a man happens to be a crook, and find out?

Mr. TALIAFERRO. If a man is a crook, an investigation is the proper thing.

The CHAIRMAN. You can not always tell whether a man is a crook until you investigate.

Mr. TALIAFERRO. A man can find out whether I have the reputation of being a crook. I never have, in a business career of 38 years, owed a cent that I could not pay, and never had a man question whether I owned my house and lot.

Senator NORRIS. I can see that, and have some sympathy with you, because I know you are honest and you would not do anything that is not right, but I think you will have to concede that an organization like the Federal Trade Commission, in making an investigation, as the chairman says, could not always investigate in a way that even might suit all of the honest men. They investigate in their own way. I do not, myself, see how you could improve on it. If you could, I would be glad to have it done, and I think they would, too. If they did not write to anybody and make any investigation they would not make anybody mad, but they would not find out anything, and we know there are some things going on in business that are not right, and to investigate is what the Federal Trade Commission is there for.

Mr. TALIAFERRO. Suppose the bank in which I had borrowed money had an idea that that stock that I had up as collateral with them was not my own stock—that I was using somebody else's stock. What kind of a reputation would you think I would have in my community?

Senator NORRIS. But you can not complain of the Federal Trade Commission if they would ask the bank. They do that about all kinds of business, I presume. If the bank knew, and the bank told them, "We know this man; he is a big fellow, and he owns this stock," and would give you a clear bill of health, you would probably like it?

Mr. TALIAFERRO. Of course, it would give me a clear bill of health, because I was perfectly well. But suppose I was sick?

The CHAIRMAN. Suppose you had been sick, then what?

Mr. TALIAFERRO. I do not know that whether I actually owned that stock or not was anybody's business except my own.

The CHAIRMAN. That is a question about which there might be some difference of opinion. Suppose Armour owned it?

(No response.)

Senator NORRIS. If there was a monopoly in the foodstuffs, I think you would have to concede, without criticizing anybody, that the public might have an interest in knowing whether Armour owned it.

Mr. TALIAFERRO. It made me awfully mad, and I have not gotten over it, and I do not expect to.

The CHAIRMAN. You are mad with the Federal Trade Commission?

Mr. TALIAFERRO. I am.

The CHAIRMAN. You are prejudiced against the Federal Trade Commission?

Mr. TALIAFERRO. Not necessarily so. They perhaps have done a great good, but they certainly might have done me a great deal of harm.

Senator NORRIS. They did not do you any harm, did they?

Mr. TALIAFERRO. Not that I know of.

Senator NORRIS. Do you know anything about the telegrams sent to President Wilson protesting against the investigation of the Federal Trade Commission?

Mr. TALIAFERRO. Do I?

Senator NORRIS. Yes.

Mr. TALIAFERRO. Sent to the President?

Senator NORRIS. Yes, from Detroit, from the banks of Detroit, at least some of the banks there.

Mr. TALIAFERRO. Did the packers send any?

Senator NORRIS. I am asking you. You are on the witness stand.

Mr. TALIAFERRO. I do not run any part of the banking business of this country.

Senator NORRIS. I am asking you a fair question. You are so suspicious, just like the Federal Trade Commission. I am trying to get information. The record here before us shows that the banks of Detroit sent telegrams to the President protesting against this investigation. Do you know anything about it?

Mr. TALIAFERRO. I do not.

Senator NORRIS. That answers the question. I do not insinuate that you are a crook because I asked you that question. You are from Detroit and in the packing business. It is in perfect good faith that I asked you that question.

Mr. TALIAFERRO. I am asking you in perfect good faith.

Senator NORRIS. Exactly. But it required the asking of two or three questions of you to get you around to where you would not be suspicious that I was suspicious of you.

Mr. TALIAFERRO. Everybody seems to be suspicious of the packers. It has just gotten on my nerves. If you please, Senator, I will finish my little statement that I have.

Senator KENYON. Don't get angry.

Mr. TALIAFERRO. Senator, it is enough to make a man angry. I feel strongly about this thing. This is tedious to me.

As I said before, as long as the railroad owns and operates the yards these abuses and faults will exist—they do, anyway—and I say also here I do not care who owns the stockyards.

We are operating satisfactorily without beef refrigerator cars or live-stock cars, and we can see no help to the smaller packers that would come from the government or railroad-owned cars. This would only result in crippling the packing business and increasing the cost largely to the consumer from lessened efficiency in handling.

We can not see where any possible good could come to anyone by the Government owning any branch house of any packers. They need these outlets for their products, and must be maintained for that purpose. They do not own any more branches than they need, and Government ownership would not make any other packer use them. Marketing products through a Government-owned branch house tends to eliminate that most essential but intangible asset

"good will" without which no business, especially the packing business, could long survive. To my mind this bill means ultimate Government ownership, nothing else.

Senator KENYON. You mean the Kendrick bill?

Mr. TALIAFERRO. I mean the Kendrick bill.

Senator KENYON. You have studied that bill?

Mr. TALIAFERRO. I have studied that bill.

Senator GORE. Government ownership of what?

Mr. TALIAFERRO. Of packing houses. I am only interested in packing houses.

The CHAIRMAN. And you do not favor Government ownership of the packing houses?

Mr. TALIAFERRO. Most emphatically I do not, except as I say here.

Senator KENYON. Could you point out the part of the bill which says that?

Mr. TALIAFERRO. When a man does not follow the regulations as laid down in that then he is guilty of infractions, and the Government has power to liquidate his business, selling off his products; in other words, buy his output. That is section 6.

Senator KENYON. Are you not confused about the two bills, or am I? You are talking about the Kendrick bill?

Mr. TALIAFERRO. Yes, sir.

Senator KENYON. Section 6 is only revoking the license, is it not? There is a new print this morning.

Mr. TALIAFERRO. I did not have the new print, and only had the copy of the old print.

Senator NORRIS. I am rather inclined to think that you have got the two bills confused.

Senator KENYON. Here is the bill this morning. If you will point it out—I do not think the bill contemplates any such thing [handing paper to Mr. Taliaferro].

Mr. TALIAFERRO. Is this the new one?

Senator KENYON. It is the new one, yes.

Mr. TALIAFERRO. This is the Kendrick bill?

Senator KENYON. It is the Kendrick bill.

Mr. TALIAFERRO. That is just a change from the original bill, as I have it. This is in section 9.

Senator KENYON. Read that.

Mr. TALIAFERRO (reading):

That whenever upon investigation it is found that any licensee is committing any act or practice in violation of section 6, 7, or 8 of this act, the Secretary of Agriculture may cause to be issued an order requiring such licensee to refrain or desist from the commission of such act or practice; and whenever, after due notice to such licensee and an opportunity afforded him to be heard in accordance with the regulations prescribed under this act, it is found that such licensee has willfully violated an order issued pursuant to this section, and continues, or is likely to continue to violate such order, the Secretary of Agriculture may suspend the license of such licensee until it is made to appear to the Secretary of Agriculture by the licensee that he will comply with such order.

In the one I have it says after this, that the business should then be liquidated, or otherwise disposed of, as it seems best under the circumstances.

Senator KENYON. And I am pretty sure there is nothing of that kind in this.

Mr. TALIAFERRO. That has been eliminated from this bill, and it changes the reading of it. If you had the copy I had, that part of it is left out, which, to my mind, gentlemen, meant Government ownership.

Senator KENYON. Here is what you have reference to in the old section 9. (Reading)

The Secretary of Agriculture may suspend the license etc. which order, upon the request of the licensee, or when otherwise found to be necessary, shall permit such disposition of the business or the stocks on hand that may be required under the circumstances.

That is the licensee.

Mr. TALIAFERRO. That means ownership in my estimation. I am no lawyer.

Senator KENYON. We are very glad of the suggestion, of course. But that is not in the bill as now presented; it is stricken out. I think we would be very glad if you would look over this new bill and give us your ideas about it.

Mr. TALIAFERRO. I would be very glad to look it over, the amended one, because I have not had an opportunity. I have been in bed since I got to Washington, having got the "flu," and only have gotten up.

The CHAIRMAN. You object to government ownership and operation of the packing houses?

Mr. TALIAFERRO. Do I?

The CHAIRMAN. Yes.

Mr. TALIAFERRO. I certainly do.

The CHAIRMAN. On what ground?

Mr. TALIAFERRO. On the ground of a Government entering into commercial industry which is strictly and solely the province of a free American citizen.

The CHAIRMAN. Even apart from the question of policy, you would still object to it?

Mr. TALIAFERRO. I would object to it on any ground whatsoever.

The CHAIRMAN. You would modify that, I assume?

Mr. TALIAFERRO. If you would buy my business, I say, gentlemen, go to it.

Senator KENYON. You would not be in favor of the government operating the packing houses even if it bought the business?

Mr. TALIAFERRO. Would I? I would not have anything to say about it. It would not change the principle of the thing?

Senator KENYON. No.

Mr. TALIAFERRO. But I would suggest right there, Senator, that if the government has any idea of that kind they better wait until they bury the white elephant of the wheat crop of 1920 before they start to work on the packing business, because when they bury that elephant they will not want any more in the shape of the packing business.

Senator KENYON. There are some white elephants on the railroad question, are they not?

Mr. TALIAFERRO. Not only there, but there is a Hog Island and some others that I can mention, which I do mention, which I do mention here, and, gentlemen, if you please, I will just finish my statement. There is only a short way to go.

To my mind, this bill means ultimate government ownership and nothing else, and if the government wants our business, let it take it now while it is alive and progressive and has an efficient organization, and pay us a fair value for it, and not handicap, disorganize, and rupture it, and then take it a wreck of its former self.

I know what trying to operate under license would mean, and I want none of it. My business is legitimate and necessary for the country, and I want to run it in my own way, like every other free American citizen operates his business. Why should we have such restrictions thrown around us that would brand us as lawbreakers, either stated or implied.

We are not parties to any agreement in buying our live stock or selling our products.

In conclusion I wish to emphasize that among all of the essential elements entering into the winning of the war, the supplying of meats is the only one that will not cost the Government immense sums of money in burying the white elephant of incompleting contracts and necessarily wasteful methods brought about by haste. The packers supplied the necessary food often on a cost minus instead of a cost plus basis, but you have had no complaint from them. This is patriotism pure and simple—patting ourselves on the back—and I hope this honorable committee will unite in saying to our industry:

“Well done, good and faithful servant, enter into the joys of your reward,” and breath the air of freedom like the nations of Europe whom you helped to liberate.

I am now ready, gentlemen, to answer any questions you want to ask.

Senator KENYON. How has the license of the Food Administration worked in your business.

Mr. TALIAFERRO. Has it worked?

Senator KENYON. Yes.

Mr. TALIAFERRO. So far I have no objections. If the present price is maintained and there are not sufficiency of orders forthcoming the packers are going to be compelled to stand the biggest loss, in my estimation, that they ever stood, and probably a great many of them will be seriously crippled.

Senator KENYON. Just what do you mean by that? Are there great quantities of meat products in the cold-storage houses now?

Mr. TALIAFERRO. At the present time, the products, while ample, are pretty well taken care of by allied orders.

Senator KENYON. Do you know anything about the statements made in the paper here the other night that the allies had repudiated their contracts for pork, or their agreement as to pork, and were getting their meat from the Argentine?

Mr. TALIAFERRO. Senator, the British Government is the one you refer to?

Senator KENYON. Yes; that is the Government I refer to.

Mr. TALIAFERRO. They have an enormous stock of meats on hand, primarily caused not by their buying, but having stored last summer, when the dangers of transportation were adrift, a large quantity of meat in salt, which usually would be shipped in borax, accumulating in England meats just because it was meats, with the idea of having it carry as long as possible without refrigeration. This produced a very salty article, and if there is anything in the world that the

Englishman dislikes it is a salty piece of bacon; and he will not eat it. But, under the stress of war conditions, he might possibly have been forced to eat it. However, now that the armistice has been signed, he feels very differently about it, and he will not eat it. And in connection with a great many laboring men being thrown out of positions, and their buying power restricted, they have stopped eating it, and the consumption, as I understand it, in December in Great Britain was only about 16,000 tons.

The CHAIRMAN. It ought to have been what?

Mr. TALIAFERRO. About 48,000 or 50,000 tons to be normal.

The CHAIRMAN. Of what sorts of meat?

Mr. TALIAFERRO. Of bacon; that is, of hog meats.

The CHAIRMAN. It looks to me like that would create an extraordinary demand for saltless meat.

Mr. TALIAFERRO. Yes; but their stocks over there are largely undesirable meats for English outlet, and that lessens the demand and keeps these enormous stocks going into the avenues of distribution.

Senator NORRIS. If their stock consists of meat they can not eat, would that not create a greater demand here for meat they could eat?

Mr. TALIAFERRO. The Food Administration, in their endeavor to increase production and to conserve the supply, did everything possible to curtail the domestic consumption so as to make these stocks available. The armistice being signed at least six months, or perhaps 12 months earlier than the most ardent patriot expected has produced a condition that is very critical, because we had gone ahead and built and worked for something that we expected to happen in the future, but it has happened right away.

The CHAIRMAN. I do not get this point, Mr. Taliaferro. You say they find, the war being over, that they have got a lot of meat on hand that they would have to keep if the war had continued?

Mr. TALIAFERRO. They would have had to have eaten.

The CHAIRMAN. But that they will not eat now. So this dead-head stuff that they have on hand there, which they will not eat and you could not sell, looks to me like to the extent they can not eat it there would be a demand for more meat.

Mr. TALIAFERRO. But the British Government, owning this meat, will not increase their further orders until this supply is reduced and their facilities enlarged.

The CHAIRMAN. They are trying to force them to eat it?

Mr. TALIAFERRO. They are trying to force them to eat it; they have got to force it, in self preservation.

Senator NORRIS. Do you think they will keep on that way until the people of England are forced and do eat that meat that they do not want?

Mr. TALIAFERRO. Gradually that will happen. But between now and the time it does something is going to happen to us.

Senator GORE. They want to take care of the \$100,000,000 that is to be sent there as far as they can?

Mr. TALIAFERRO. I understand that is a part of the use England makes of that \$100,000,000 revolving fund.

The CHAIRMAN. They are going to give these folks meat that they can not eat?

Mr. TALIAFERRO. I understand they are going to relieve themselves of part of it.

Senator KENYON. Are we going to buy part of it?

Mr. TALIAFERRO. No. This meat, while salty, is perfectly agreeable and highly prized by southern European nations. They like their meat salty, because they boil it with vegetables.

Senator NORRIS. This meat could be sent to Italy?

Mr. TALIAFERRO. And the Czechs.

Senator NORRIS. And the Czech-Slovaks, and it would be very acceptable to them.

Mr. TALIAFERRO. Most certainly, but they have not the money.

The CHAIRMAN. And England would send it to those people instead of forcing it down the throats of their own people?

Mr. TALIAFERRO. They have not the money. These people have nothing to eat, and they have not the money with which to buy it, and we have the meat and we do not want to send it without the money.

The CHAIRMAN. You have the meat and money both?

Mr. TALIAFERRO. Exactly so.

Senator KENYON. And we are to send them the money to buy the meat?

Mr. TALIAFERRO. Sending them the money to buy the meat; we have been doing that right along.

Senator NORRIS. They have not the money but want to buy this salty meat, and we are to send them the money to buy it with?

Mr. TALIAFERRO. They have not the credit.

Senator NORRIS. Who is going to buy this?

Mr. TALIAFERRO. I understand from the newspapers that Mr. Hoover is making some arrangements, the details, of which I am not advised.

The CHAIRMAN. Do you know anything about the ration of meat and bread he is furnishing these people?

Mr. TALIAFERRO. No, Senator, I do not.

Senator GRONNA. In reality there is an oversupply of meats at the present time?

Mr. TALIAFERRO. There is an oversupply immediately available for the amount of consumption that is apparent.

Senator KENYON. And if we do not get rid of that oversupply, the packers are going to be in a bad way?

Mr. TALIAFERRO. They are going to be compelled to stop. We are only operating in one door and carrying it out the other. If any link of that chain is broken, the weakest one, the whole thing stops.

Senator GRONNA. Has that oversupply caused any change in prices?

Mr. TALIAFERRO. Has it made any change in prices?

Senator GRONNA. Yes.

Mr. TALIAFERRO. Not yet, Senator, but it is likely to make an awful change in prices if the outlet is stopped. If you dam the river up at its outlet instead of its source, you are going to have trouble.

The CHAIRMAN. You figure if this meat can be used and disposed of to the southeastern Europeans that that demand will relieve this congestion of meat and it will enable the packers to keep running and supply the demand for fresh meat in England?

Mr. TALIAFERRO. It will; that is the secret of the whole thing, Senator, that the continuity of events must not be interrupted in any one particular, not from the producer on the farm to the consumer in Europe.

Senator KENYON. If they did not get the consumer in Europe, and these products were thrown upon the market, the consumer would get meat a little cheaper, would he not?

Mr. TALIAFERRO. He certainly would.

Senator KENYON. But you think it would make a smash among the packers.

Mr. TALIAFERRO. It would make a smash among the producers and packers, too.

Senator KENYON. Both together?

Mr. TALIAFERRO. You cannot pare that potato without taking off something from each fellow. Every one will have to suffer if that happens. The apparent suffering will be, of course, on the man who owns the biggest amount of product, which will be the packer. The packer has no guarantee that this stuff he is paying $17\frac{1}{2}$ cents for is going to be taken off his hands. There is no guarantee. The Food Administration has not given us a guarantee on that. They have just told us, "Go ahead. You are a patriotic bunch of fellows—and pack these hogs on the basis of $17\frac{1}{2}$, and we are going to get orders for you." But they do not give us any insurance policy.

The CHAIRMAN. Mr. Hoover was instrumental in giving those assurances?

Mr. TALIAFERRO. I want to say one thing for Mr. Hoover; that I have been under him—in connection with the license, and I have seen that gentleman under the most adverse circumstances, the most trying circumstances, and I want to say that he is one of the grandest men I know of; that he has done more good to the producers of this country than any other man in the country.

The CHAIRMAN. The packers pretty generally agree in that opinion?

Mr. TALIAFERRO. I do not know. They know worth when they see it.

Senator KENYON. Was meat and money the only things he talked over with the packers?

Mr. TALIAFERRO. It has all been a matter of our risking our money against their promise of their ability to relieve us of the product.

Senator KENYON. Do you not think now with Mr. Hoover over there insisting on this \$100,000,000 that he is keeping faith with you?

Mr. TALIAFERRO. I certainly do, or I would not be hogs, and I will go the limit on what he says, and that is the reason I am spending my good money on hogs, I know I will lose a lot of money on if any thing should slip.

The CHAIRMAN. You do not think there is any "white elephant" thrown out to the packers in the way of a guarantee?

Mr. TALIAFERRO. They have not guaranteed us.

The CHAIRMAN. But they let you make 9 and 15 per cent.

Mr. TALIAFERRO. They let us make 1 per cent; that is what they let us make.

The CHAIRMAN. On what?

Mr. TALIAFERRO. On our business.

Mr. CHAIRMAN. On your turnover?

Mr. TALIAFERRO. On our turnover.

The CHAIRMAN. What did you make on your capital stock last year?

Mr. TALIAFERRO. We made \$117,000, is what we made on \$21,000,000 worth of business.

The CHAIRMAN. I do not mean that. The \$21,000,000 is not the point of my inquiry. What is the amount of your capital stock?

Mr. TALIAFERRO. Our capital stock is \$884,000.

The CHAIRMAN. And you made \$117,000 on it?

Mr. TALIAFERRO. Yes, and an odd \$3,000,000 you want to figure in.

Senator GRONNA. That \$117,000 was net profit?

Mr. TALIAFERRO. That is net, yes, sir; and if it had been much less there would not have been any net. I was saying that we did \$21,000,000 worth of business and only made \$100,000.

Senator GRONNA. That is more than 12 per cent.

Mr. TALIAFERRO. On what?

Senator GRONNA. On \$800,000 capital stock.

Mr. TALIAFERRO. But you must take my borrowed money in with it.

Senator GRONNA. After you pay interest. You have paid the interest. That is all figured in. You were saying here that that is net?

Mr. TALIAFERRO. After paying interest on borrowed money.

Senator GRONNA. Certainly.

Mr. TALIAFERRO. Why, sure.

Senator GRONNA. That is all taken into consideration.

Mr. TALIAFERRO. I pay wages, too; do I not, Senator?

Senator NORRIS. But you do not pay the wages out of the 12 per cent; but after paying the wages you had left 12 per cent.

Mr. TALIAFERRO. No, I would have been paying laborers wages yet if I had tried that.

Senator GRONNA. Are the income taxes included, and you still have \$117,000 net?

Mr. TALIAFERRO. I think our actual—

Senator GRONNA. I mean, after the income taxes have been paid.

Mr. TALIAFERRO. \$25,000 income taxes are to be paid.

Senator GRONNA. I think that it is a very fair question. I would like to know if the income taxes are included in expenses after paying which it leaves you \$117,000.

Mr. TALIAFERRO. It was not included in expenses, but written off as reserve.

Senator GRONNA. That is the same thing.

The CHAIRMAN. A hundred and how many thousands?

Mr. TALIAFERRO. Let me give you the actual figures as long as we are setting down to it. This is our 1918 statement—\$117,000, as near as I can remember.

The CHAIRMAN. Does that include or exclude income tax and your war or excess profit tax?

Mr. TALIAFERRO. That figures what we carried to our surplus account.

Senator WADSWORTH. Taxes paid?

Mr. TALIAFERRO. Taxes paid.

The CHAIRMAN. How much was your corporation income tax?

Mr. TALIAFERRO. Income tax—we do not know yet, but probably in the neighborhood of \$25,000.

The CHAIRMAN. And your excess or war profit tax will be how much?

Mr. TALIAFERRO. I do not know. We only wrote off \$25,000 to cover our war profit taxes; there will not be any profit tax.

Senator NORRIS. That means you set aside \$425,000 to pay those taxes, and after you had done that you had 12 per cent.

Mr. TALIAFERRO. Oh, no; I said we had a little over 1 per cent on the business we did.

Senator NORRIS. On the capital stock, I'm talking about.

Mr. TALIAFERRO. On our capital stock?

Senator NORRIS. Yes. After you had set aside the \$25,000 to pay taxes, you still had \$117,000 net profit. Was that it?

Mr. TALIAFERRO. We carried to surplus about \$117,000.

Senator KENYON. When this matter occurred that you speak of with Britain, did you packers have a meeting with Mr. Hoover about it, along in October last?

Mr. TALIAFERRO. We have had a number of meetings with him, Senator.

Senator KENYON. Did you not have one meeting with him to talk over that matter of large pork products on hand in connection with Britain?

Mr. TALIAFERRO. Yes, we had.

Senator KENYON. That meeting was in October last, was it not?

Mr. TALIAFERRO. Yes.

Senator KENYON. And did Mr. Hoover at that time tell you he would do what he could to stabilize the situation?

Mr. TALIAFERRO. He always has taken that position.

Senator KENYON. And when he went abroad, did you understand he was going to try to work out some plan to do that?

Mr. TALIAFERRO. I did not know at that meeting that he intended to go abroad, but I afterwards understood from the papers that he was abroad, and from reports in the trade that he had gone abroad.

Senator KENYON. That question was discussed at that meeting?

Mr. TALIAFERRO. The question which was discussed at that meeting was the available number of orders in pounds that might be forthcoming.

Senator KENYON. From abroad?

Mr. TALIAFERRO. From abroad, to counterbalance the expected receipts of hogs, which would probably be about 25 or 30 per cent, as we figure, increase over last year.

Senator KENYON. And this question of keeping faith with the packers on the prices they have paid for hogs, that was discussed?

Mr. TALIAFERRO. Being paid?

Senator KENYON. If there was not some way to dispose of the products, the packers would have these products and lose great amounts of money?

Mr. TALIAFERRO. Oh, surely; that was the basis on which the discussion rested.

Senator KENYON. Who was present at that meeting?

Mr. TALIAFERRO. Well, there were representatives of the different packing houses, I suppose 25 or 30 or maybe 40, and about 25 representatives from the producers or producers' committees, or something on that order; Ex-Governor Stuart was one.

Senator KENYON. What committee did he represent?

Mr. TALIAFERRO. I think he is a sort of chairman of the Agricultural Advisory Committee.

Senator KENYON. Was any plan decided on at that time?

Mr. TALIAFERRO. Yes, it was agreed that the prices of hogs, as far as possible, would be maintained, I think at $17\frac{1}{2}$ cents basis. I think that is the meeting at which we agreed that if we had these orders we would be able and would pay $17\frac{1}{2}$.

Senator KENYON. What was the discussion at that meeting about the nation of Great Britain?

Mr. TALIAFERRO. At that meeting, Britain, as I remember now, had in hand a very heavy order for provisions; I think in the neighborhood of 179,000 tons.

Senator KENYON. Of meat?

Mr. TALIAFERRO. Of meat and lard; that is, they had that at that time and did later place it.

Senator KENYON. What I ask you about was this: I understood you to say there was a discussion of Britain's action as to canceling contracts for pork. Was there anything about that?

Mr. TALIAFERRO. Britain, to my knowledge, has never gone back on or canceled a contract since that Government was established, and it never will.

Senator KENYON. You misunderstood me awhile ago or I misunderstood you. I understood you had a meeting because of this situation that had arisen over cancellation of contracts. I do not know whether they canceled contracts. I share in your estimation of Britain.

Mr. TALIAFERRO. No, Senator, they did not cancel any contracts, but they said at that meeting they expected the orders would continue. We had been operating on that basis, and the operations fell off.

Senator KENYON. I saw in the paper that they were canceling contracts?

Mr. TALIAFERRO. The paper was wrong.

Senator KENYON. They expected to keep on ordering?

Mr. TALIAFERRO. They expected; I feel sure they honestly expected to have these additional orders.

The CHAIRMAN. But simply did not make contracts that you expected they would make?

(No response.)

Senator KENYON. There were not contracts broken. I do not think Britain is breaking any contracts.

Mr. TALIAFERRO. Britain would not break contracts.

Senator KENYON. That situation has arisen now, with all this surplus, and you must find a market for your surplus?

Mr. TALIAFERRO. We have to have a market for our surplus.

Senator KENYON. And this \$100,000,000 will help to find a market for your surplus?

Mr. TALIAFERRO. \$100,000,000 does not go very far. That is a revolving fund, and therefore it merely takes up the slack between producer and the consumer—between the packer and the man who eats the meat in Europe. That revolving fund can be used over and over again as long as it only covers the slack between the packer and consumption there.

Senator KENYON. Of course it can be used longer as a revolving fund than if it is absolutely given away.

Mr. TALIAFERRO. And if it is used as a revolving fund I should say it would help the situation very much.

Senator KENYON. It would not help very far if given away.

Mr. TALIAFERRO. It would not help very far if given away and no returns came back from it. But my understanding is that it is being used as a revolving fund, the meat goes to the people, and they in turn will present securities or money value that can be cashed or used again in getting more supplies.

Senator KENYON. Where did you get that understanding?

Mr. TALIAFERRO. It is my own personal understanding. That is what I naturally would understand or figure that if I had anything to do with it; that is, that would probably fit the case.

The CHAIRMAN. That will let you out on your 17½ cent contract?

Mr. TALIAFERRO. We have an agreement to pay 17½ cents for hogs and other markets in proportion to that, until the 1st of February.

The CHAIRMAN. And that will take care of the stocks which you have on hand which you purchased on that basis, and also take care of the producers who are selling in the mean time?

Mr. TALIAFERRO. Yes, to a large extent. I do not think it will do it, but it will act as an insurance policy for a large percentage of the profits that to-day has been put down under the 17½ cents.

The CHAIRMAN. If this were a larger revolving fund it might be able to keep the prices of flour up so as to obviate this "white elephant"?

Mr. TALIAFERRO. Oh, no. You would have to have a revolving fund of a billion dollars.

The CHAIRMAN. That is too big a white elephant.

Mr. TALIAFERRO. There is not any place around here where you can bury it.

The CHAIRMAN. That white elephant crept in because of violation of fundamental laws of supply and demand?

Mr. TALIAFERRO. That crept in because you signed the armistice the 7th of November instead of the 17th of next July.

The CHAIRMAN. And if you have to jump that much, it is not very good economy after all.

Mr. TALIAFERRO. It is not anybody's fault, and I had rather see the government pay it than not to have the wheat if we needed it.

The CHAIRMAN. I will not go into that; but we might have obviated it if we had let the people get what their wheat was worth in 1917 and 1918 and let them get what it is worth this year.

Mr. TALIAFERRO. We did not know what wheat would be worth to us. Wheat is worth a whole lot to a man who is starving; and if our armies over there needed wheat I would be in favor of giving it to them if it cost \$10 to raise it and give it to them.

The CHAIRMAN. The farmers would raise it at \$10.

Mr. TALIAFERRO. And would not think he got enough for it if he got \$10.

The CHAIRMAN. I think the farmer has been about as conservative as the packers or anybody else in estimating their receipts.

Mr. TALIAFERRO. They are the best posted men in this country to-day. They do not need anybody to help them.

Senator KENYON. You think some of them read the Congressional record?

(No response.)

Senator NORRIS. I do not know of any of them but what would be surprised if they were making 22 per cent on the value of their investment now.

Mr. TALIAFERRO. I am a producer myself. I am a farmer and raise stock, and I raise a little wheat, too. I made 100 per cent on my stock this year. I do not know how much the farmer makes.

Senator NORRIS. If this armistice had been signed next July, would not the same conditions have existed then? Would not there have been a large supply on hand? In other words, it could not have been avoided any way unless the war had closed a year in advance.

Mr. TALIAFERRO. That is the only way you could have saved it and been absolutely sure that you were not going to lose. Two things are necessary: One that you knew the time when the war was going to end, the other that you knew what available wheat would be in the world at that time and the available mouths to eat it and have the wheat where the man can eat it.

The CHAIRMAN. Would not that argument apply to everything on earth that you need?

Mr. TALIAFERRO. It certainly would. If you start guaranteeing one you would have to guarantee everything.

The CHAIRMAN. They did not do that.

Mr. TALIAFERRO. They did not do that, and therefore we are going to pay for it. If we had not left off, we would probably have had to mortgage New York.

The CHAIRMAN. We guaranteed the price of wheat but did not guarantee the price of other things. Why would not the laws that insured the production of other things insure the production of wheat?

Mr. TALIAFERRO. That seemed to be about the only way the farmers claimed would be successful.

The CHAIRMAN. The farmer did not ask for that.

Mr. TALIAFERRO. Did he not?

Senator GRONNA. The farmers were opposed to it.

The CHAIRMAN. They were opposed to it all the time.

Mr. TALIAFERRO. Senator, when I made a trip about three weeks ago from Detroit to Indianapolis, and from Indianapolis to Cincinnati, and from Cincinnati to Parkersburg in the day time and wanted to see if there was any wheat there that I considered the situation warranted the farmer planting. Well, I was so surprised, so far surprised with the enormous increase in wheat that I said, "This is a sample of what the farmer has done, there will be more wheat in this country than there has ever been dreamed of by any one in the world."

Senator GRONNA. You said, Mr. Taliaferro, a moment ago that you think the farmer is pretty well posted. That is your opinion, is it?

Mr. TALIAFERRO. I think he is.

Senator GRONNA. With reference to his own products. What was the price of wheat at the time the price was fixed by Congress?

Senator NORRIS. By the President. Congress did not fix the price.

Senator GRONNA. I stand corrected; it was fixed by the President, bases upon an act of Congress.

Senator NORRIS. Yes, giving him authority to do it.

Mr. TALIAFERRO. I should say, Senator, in the neighborhood of 3.25.

Senator GRONNA. What was the price that the President fixed?

Mr. TALIAFERRO. I think about \$2.20.

Senator GRONNA. Do you think the farmer who would ask for legislation of that sort would be well posted?

Mr. TALIAFERRO. I should think that if a farmer did not know enough to ask for legislation of that kind he would be a fool, and do not believe he ever did, because he never did, because I do not believe that \$3.25 was any more a legitimate price for wheat than 7½ cents was a legitimate price for hogs.

Senator GRONNA. How do you know that?

Mr. TALIAFERRO. It was circulation. He knew what it cost to raise wheat.

The CHAIRMAN. Has wheat gone up any more than other farm products, or than wages?

Mr. TALIAFERRO. I do not think so.

The CHAIRMAN. Then why cast eyes at the farmer as a speculator?

Mr. TALIAFERRO. I did not say he said he was a speculator, but say he said price was based upon speculation.

The CHAIRMAN. What is the cost of raising wheat now?

Mr. TALIAFERRO. I raised wheat. I have raised it every year except this fall. I did not put in any wheat this fall.

The CHAIRMAN. Why?

Mr. TALIAFERRO. For the simple reason I did not think I ought to put it in.

Senator GRONNA. Do you think it would be unpatriotic to give that high price?

Mr. TALIAFERRO. I thought if everybody else put in wheat I would put in corn.

Senator GRONNA. You said you made 100 per cent on your investment?

Mr. TALIAFERRO. That is on feeding the hogs.

Senator GRONNA. Did you raise hogs, or simply buy them?

Mr. TALIAFERRO. I bred them; and they are Hampshires and they are registered.

Senator GRONNA. Did you sell them as products of meat or sell them as high-grade hogs?

Mr. TALIAFERRO. I fattened part of them and fed them for the packing house and sold them in the Detroit yards.

Senator GRONNA. You sold all of them that way?

Mr. TALIAFERRO. Oh, no, but I made in some cases a thousand per cent on some of those for breeding purposes.

Senator GRONNA. Did you make it by breeding a special grade of hogs and then selling them to your neighbors?

Mr. TALIAFERRO. No, I sold in the stock yards, and they went into meat.

Senator GRONNA. And you made 100 per cent?

Mr. TALIAFERRO. More than that; the only money I ever made in my whole life was this last year on hogs—the only money I could really see come in so apparently.

Senator GRONNA. Did you raise your own feed or buy it?

Mr. TALIAFERRO. I bought most of it; I raised some of it, and used mostly tankage.

Senator GRONNA. This witness has stated that he made 100 per cent profit on his investment in hogs last year, that is, in raising hogs, breeding them, and raising them, and selling them in the stockyards.

Mr. TALIAFERRO. Senator, excuse me. This is only a small place, and I do not think it is well to use as a criterion. My place is 38 acres, and it is not indicative nor would it be a general outline or guide to anybody perhaps who was handling their hogs on a different basis.

Senator GRONNA. How many hogs did you have?

Mr. TALIAFERRO. Seven, and they were Hampshire hogs, registered, and I just had an experimental station; I just tried to see what they would bring, as near as I could figure.

Senator GRONNA. You evidently did not give us the cost at all, or anything of that sort. You simply counted the feed?

Mr. TALIAFERRO. I just counted the feed.

Senator NORRIS. Did you count anything for investment on the farm or land?

Mr. TALIAFERRO. No.

Senator NORRIS. Did you count anything for the man who did the work, or did you do it yourself?

Mr. TALIAFERRO. I had a gardener who used to feed twice a day.

Senator NORRIS. Did you count that in?

Mr. TALIAFERRO. No.

The CHAIRMAN. And no rent for the land?

Mr. TALIAFERRO. No.

The CHAIRMAN. And no interest on the capital invested in houses and buildings?

Mr. TALIAFERRO. No.

Senator NORRIS. I think under that system you would get out probably 100 per cent.

Senator NORRIS. What is the salary your Mr. Hammond receives?

Mr. TALIAFERRO. \$26,000.

SENATOR NORRIS. What is your salary?

Mr. TALIAFERRO. \$20,000.

Senator NORRIS. How much did you sell to the packers in 1918, if you can tell, in money?

Mr. TALIAFERRO. I can not tell at all.

Senator NORRIS. Can you give us an estimate?

Mr. TALIAFERRO. I have not the figures with me. I should say probably \$500,000 worth.

Senator NORRIS. That would be your estimate?

Mr. TALIAFERRO. Possibly, Senator.

The CHAIRMAN. We will now take a recess until 3 o'clock this afternoon.

(Thereupon, at 1.40 o'clock p. m. the committee took a recess until 3 o'clock this afternoon.)

AFTERNOON SESSION (JANUARY 20, 1919).

The committee met at 3.30 o'clock p. m., pursuant to the taking of recess, Senator Norris presiding.

STATEMENT OF FRANCIS J. HENEY—Continued.

Senator NORRIS. When you were on the stand before recess, you had just started in with some subsidiary corporations of Swift & Co., had you not?

Mr. HENEY. Yes. I had finished one.

Senator NORRIS. I wish you would go on from there.

Mr. HENEY. I had completed the statement in regard to one of them.

The next company is the Independent Salt Co. The stock of this company is owned equally by Swift and Armour. Nine hundred and sixty shares of the 1,000 shares issued are in the name of Mr. Henry Veeder, counsel for Swift & Co.; 490 are indorsed in blank to the Armours, and 470 to the Swifts. The remaining 40 shares are held in lots of 10 each by R. C. Newton, N. B. Higbie, and A. L. Latterman for Swift & Co., and Frank B. Gifford for Armour & Co. The company operates salt mines at Kanopolis, Kans. For the last six months of 1914 and for the next three years (1915 to 1917, inclusive), profits for this company were over 120 per cent on the capital stock, the average for each year was 35 per cent, and for 1917 alone it amounted to 67 per cent. Dividends in 1917 were paid amounting to 56 per cent of the capital stock.

Senator NORRIS. Before going to another company, what does that company do? I suppose it sells salt.

Mr. HENEY. Yes, sir.

Senator NORRIS. Is that the only product they sell?

Mr. HENEY. I think that is the only one.

Senator NORRIS. They sell that mostly to the packers, do they not?

Mr. HENEY. Yes, sir; I suppose they do.

Senator NORRIS. This corporation, then, sells to the various packing corporations, and in order to make that big profit they must charge the packers an unreasonable price, must they not, and that would be unfair to the small stockholders?

Mr. HENEY. Well, it does not necessarily follow that the—

Senator NORRIS (interposing). In other words, if these men that own the packing plants have formed a little ring to sell what the big corporations consume, so far as some of their product is concerned, and make such enormous profits, does it not follow that their profits, notwithstanding the profits that the big corporations make, at such a price that it is unfair to the small stockholders?

Mr. HENEY. Why, certainly, and the consumers of the product which uses this salt must ultimately pay the price.

Senator NORRIS. But, in addition to that, is it not unfair to the minority stockholders in the packing corporations?

Mr. HENEY. Yes, sir; I do not believe there is a stockholder in Swift & Co. who has received a list of the companies that Swift & Co. themselves own.

Senator NORRIS. Of course, if Swift & Co., as a corporation, were the owners of the stock, my objection would not apply; but if the officers of Swift & Co. would own the stock, individually, as they did in the other one you mentioned the other day, then they would not be looking after the interests of the main corporation, because they would be absorbing a lot of profit that ought to go to all the stockholders.

Mr. HENNEY. If a corporation in which the Swifts, as individuals, are interested is buying from or selling to Swift & Co., it may be making profits at the expense of the minority, yes, the minority stockholders of Swift & Co., which it ought not to be making.

Senator NORRIS. That is what I mean.

Senator THOMPSON. What is the name of that salt company operating in Kansas?

Mr. HENNEY. The Independent Salt Co.

The next is the National Waste Co. This company was incorporated in 1910, but the wheels of the plant on the Schuylkill, just outside of Philadelphia, began to turn in 1907. It manufactures all kind of waste for use by railroads and industrials. The company is only indirectly connected with the packers, for its stock, so far as the Commission has been able to learn, is held by packer employees. Chief among its originators are the following: George B. Robbins, vice president of Armour & Co.; C. K. Knickerbocker, of the Griffin Wheel Co., of Chicago; and A. R. Fay, of Swift & Co. Only about 25 per cent of the stock is owned by Messrs. Robbins and Fay together, but a large proportion of the remaining 75 per cent is owned by friends of the packer interests.

You will notice that that company deals with railroads, waste for use by railroads and industrials.

Now, I read some letters showing that Fay had something to do with selling those bumper posts to the railroads, they being manufactured by that mechanical company.

Senator NORRIS. Do you know what amount they sell to the railroad companies?

Mr. HENNEY. This particular company, the National Waste Co.?

Senator NORRIS. Yes.

Mr. HENNEY. No; I do not.

Senator NORRIS. Do you know what their profits have been?

Mr. HENNEY. I do not know. It is not stated here, but I rather think we have it. Inasmuch as the packers themselves did not own it, but only employees, it has not been set out as being important.

The next is the Hygienic Ice Co. The present Hygienic Ice Co., incorporated in 1913, is the outgrowth of the Peoples Ice & Cold Storage Co., of Omaha, the Hygienic Ice Co. of Illinois, and the Hornell Ice & Cold Storage Co. of Hornell, N. Y., in all of which Mr. L. B. Patterson, the present custodian of the Tilden wealth, was the principal figure.

Now, it used to be that Tilden would act as trustee for the Swift interests whenever they wanted to put anything in the hands of a trustee and they did not want it to appear that it was owned by the company. They would use Tilden. He has been the president of the National Packing Co. Since Tilden's death this man Patterson seems to be the man that acts as trustee whenever they want to put anything in the name of an individual.

Mr. Edward F. Swift owns 2,549 shares of stock, although none of this appears in his name. 1,000 shares are held for him by Mr. Patterson, and 1,549 by C. F. Stephenson, an employee of Swift & Co. A. R. Fay, of Swift & Co., owns 1,718. J. E. Murphy, of Swift & Co., owns 1,600. Of the 25,000 shares outstanding, a group of 10 individuals and interests that are closely associated with Swift & Co. in a variety of undertakings owns and controls about 15,000. In ad-

ition there are approximately 6,500 shares held by persons who are identified in some way with the Swift and Tilden interests and this brings the total to 21,155 shares, or 84 per cent.

Those ice companies furnish the ice at these cold storage plants, many of them, and for icing refrigerator cars, also, and sell to the railroads ice for the refrigerator cars.

The next company is the Chicago Bearing Metal Co. This company was originally organized in 1906 by a small group of men in Chicago who endeavored from the first to secure the interest of the packers. They had patent rights for babbitt and bearing compositions that proved to be extraordinarily strong, and also were capable of enduring more friction than the general run of brasses without getting too hot. The packer financial interests eventually became interested, and within a few years, probably three, had secured the entire business for themselves and their friends. The company manufactures babbitt and brasses for use in journal boxes of rolling stock. Their product is sold to a great number of railroads and car companies throughout the United States. Among the large purchasers for railroad use are the Pennsylvania and the New York Central systems.

The outstanding stock at the present time is \$3,030,000. After thoroughly investigating the company's various reorganizations from its books, the commission believes that it is barely possible that as much as \$250,000 in cash was ever put into the business. The difference of \$2,780,000 is water, \$250,000 of which was issued for patents and \$2,530,000 as stock dividends. During the past five years' operation, profits amounted to one and one-quarter million. Out of this cash dividends averaging 7 per cent have been paid on the capital stock outstanding.

On November 3, 1917, there was a surplus of \$883,000. If the cash investment may be taken as a basis for dividends, it may be seen that dividends of approximately 85 per cent have been paid annually, and that a surplus of about 350 per cent has accumulated.

On the question of concealing stock ownership, the largest individual owner of stock in the Chicago Bearing Metal Co. is Edward F. Swift, although his name does not appear in any stockholders' list. In the spring of 1918 he owned at least 6,990 shares. Eighteen hundred shares appear in the names of two old employees of Swift & Co., one of whom is no longer with the company; the other is C. F. Stephenson. Five thousand one hundred and ninety shares are in the names of three fictitious persons, whose addresses are given as Union Stock Yards. The names used for this purpose are L. D. Robinson, H. B. Natchez, and L. R. Poor. The address of the first two is in care of Mr. C. F. Stephenson, employed by Mr. Swift. The address of Mr. Poor is merely, according to the stockholders' list, "Union Stock Yards, Chicago, Ill." Mr. Stephenson made reply for the first two fictitious persons, but the commission had great difficulty in receiving any returns from questionnaires addressed to L. R. Poor, for all communications were returned undelivered. The Chicago Metal Bearing Co. was advised of this and requested to place the questionnaire in the hands of the proper party. After considerable delay this was done, when it was turned over to Mr. Stephenson, who promptly submitted the same information that he had for the questionnaires addressed to L. B. Robinson and H. B. Natchez, viz., that "Mr. Edward F. Swift is now, and at all times

has been, the owner of this stock, which was taken * * * during the early life of the company and during the time when it was not known how much of a success the company might be."

Practically every remaining stockholder of this company belongs to the so-called Swift-Tilden group. By this is meant that they are Swift employees or they are men associated with the Swifts and Tildens in cooperative financial enterprises. Familiar names among these are the Aarons, Agars, Bicketts, Blumentals, Messrs. Fay, Frederick, Murphy, Newton, Patterson, Russell, Stephenson, and Tighe; and Edward Tilden & Co. Mr. Fay of Swift & Co. owns 2,316 shares, all of which appear in the name of C. A. Bicketts. Edward Tilden & Co. own 2,238 shares, 1,200 of which appear in the names of other parties.

One of the difficulties we had was in tracing ownership, by reason of this way of having it in the name of others.

Senator NORRIS. Now, the principal customer for the purchase of these metals you speak of would be the railroads?

Mr. HENRY. The railroads, yes. And one of the vices of it, as it appears to me, is this: That it would be a very easy way for rebates to be covered up, by the price paid for the article being much higher than it ought to be.

Senator NORRIS. Would the profits made indicate that they were not sold below cost, at least?

Mr. HENRY. Yes. Now, in connection with the testimony that I listened to this morning—

Senator NORRIS. Are there any more of those subsidiary companies?

Mr. HENRY. No; those are all I have.

I thought I would take up next just a little in regard to operations in these stock yards, in view of the testimony of Mr. Buckingham and Mr. Brown yesterday.

Senator KENYON. Before you go to this new subject—because I may be called away—I would like to ask you what you found, if anything, as to the activities of any particular lobbyist of the packers.

Mr. HENRY. At Washington?

Senator KENYON. I refer to Mr. Logan. Did you find anything about him at all in the correspondence?

Mr. HENRY. Yes; and I testified in regard to that the other day.

Senator KENYON. Was there anything showing what he was paid in expense accounts?

Mr. HENRY. I did not find that. Whether the commission got any information on that subsequently or not I do not know.

Senator KENYON. But you have testified to that already, have you?

Mr. HENRY. Yes.

Senator KENYON. I will not ask you anything about that now.

Mr. HENRY. This is an extract from the testimony of R. T. McGoon, who testified at the hearings at St. Paul before the commission—and the witnesses there were all put under oath. This appears in the official report of the testimony taken at the St. Paul hearings, at pages 1478 to 1479:

Question. Well, when you were selling cattle in the yards at St. Paul, did you get the understanding that Swift was to have the first chance always at fat cattle?—Answer. Yes, sir.

Senator NORRIS. Who is testifying?

Mr. HENEY. Mr. McGoon, who, I think, was a commission man. Perhaps he was a seller. I am not sure which it was just now. I think he was a seller.

Continuing with his testimony, I read as follows:

Question. How did you get that understanding?—Answer. From commission men.

Question. Did they say that quite generally?—Answer. Yes, sir.

Question. Did they say whether or not they felt forced to do that?—Answer. Yes, sir.

Question. What did they say about it?—Answer. Said that Swift is here every day; and that if they did not stay in line, that they might walk by them some day and not buy their cattle.

Question. So that, as a matter of business policy, they felt compelled to give Swift the first chance?—Answer. Yes, sir.

I remember now that Mr. McGoon was a stock man, a seller.

To continue further with the testimony:

Question. Was there any understanding expressed to you by them to the effect that if they got a bid from Swift, that they did not accept, that if they sold to some outsider, they should at least get 25 cents a hundred more?—Answer. Yes, sir; I have heard that.

Question. How many times have you heard that?—Answer. Many times.

Question. And from different commission men?—Answer. Yes, sir; several different ones.

And, also, a further extract from his testimony, at pages 1480 to 481:

Answer. I bought cattle from the Thuet Bros. Co. that I did not get.

Question. That is, you bid on the cattle?—Answer. Yes; and he sold them to me.

Question. They accepted the bid?—Answer. Yes, sir. When I went back to see why, he said he had to let Swift have them.

Question. Did he say anything further than that?—Answer. No.

Question. How many times did that happen to you?—Answer. Only once.

Q. How long ago was that?—A. A couple of years.

Q. Have you ever had any experience with split shipments in Chicago, finding that you had sold to the buyer of one big packing concern, and found that they were weighed, some of them were weighed, to another concern?—A. Yes, sir.

Q. When did that happen?—A. You mean to sell to one and be weighed different?

Q. Yes.—A. Yes, sir. The first I had of that, that I remember of, was 1913. I had several loads of sheep and could get but one buyer on them. That was Morris & Co.; and when they were weighed, they were weighed to three firms.

Q. Who?—A. Hammond, S. & S., and Morris; each had a third.

Mr. HENEY (continuing). There was a great deal of testimony in regard to purchases of that kind taken by the Federal Trade Commission and the meat of it has been summarized in the report of the Federal Trade Commission, one of their reports. This witness was a trader, Senator.

Senator NORRIS. I understand.

Mr. HENEY. Mr. Buckingham was the manager at the Omaha yards, and the Omaha Exchange live-stock committee made this report; and the report was made in October, 1917:

OMAHA LIVE-STOCK EXCHANGE—COMMITTEE REPORT.

At the regular October meeting of the exchange held Friday, October 5, 1917, the following resolutions were unanimously adopted and were immediately presented to Mr. Buckingham:

"Moved that the railroad and stockyards committee be instructed to see Mr. Buckingham and demand immediately relief from the congested conditions

in the cattle yards. If such relief can not be obtained immediately, the committee shall take up the situation with Mr. Dunham, at Chicago, at once."

No reply having been received from Mr. Buckingham and no particular improvement in service, your committee instructed Secretary Stryker, who was then in Chicago, to arrange with Mr. Dunham, president of the Omaha Stockyards Co., for a conference with him in Chicago at his early convenience. This conference was arranged for Saturday, October 13. Mr. Dunham called Vice President-General Manager Buckingham and Traffic Manager Shellberg, of the stockyards, into Chicago to be present.

At the outset President Tagg outlined in a general way the desire of the exchange and its membership to work with the stockyards company in the up-building of the Omaha market. He showed that for the 12 months' period beginning September 1, 1916, and ending August 31, 1917, exchange members spent 9,191 days in the country soliciting for the Omaha market. This would be equivalent to 25 men out every day in the year above mentioned. He suggested the stockyards company employ solicitors with the view to protecting the interests of this market and preventing, if possible, much live stock being diverted to other competitive markets. He pointed out to Mr. Dunham that our yards were not large enough for the runs we are attempting to handle and the shippers to this market were losing large sums of money on account of delays in the yards. Another point made by Mr. Tagg was that we need more buying competition, and suggested securing another packing house, in addition to those already at Omaha. He mentioned also the serious harm which had been done at Omaha market by semilembargoes place upon this market by representatives of the stockyards company within the past few weeks, explaining that much business had been diverted from the Omaha market to other markets on this account.

Mr. Anderson, chairman of the railroad and stockyards committee, following Mr. Tagg, outlined briefly the work of his committee during the past 8 months, the agreement made between the committee and the yard company, and the changes to be effected in the service. He suggested that commission men had done their part in effecting these changes, but that the yard company had seemed unable to take up their share of the burden. He pointed out benefits to all concerned on account of the new system of weighing in the cattle yards, suggesting at the same time, however, that unless the yard company shall make arrangement to take live stock away from the scales after weighing, the improvement effected by the commission men would be of little or no avail.

At about this state of the conference Mr. Dunham made the statement that the Omaha yards represented a personal investment of Mr. J. O. Armour, who, realizing the importance of Omaha as a market center, invested his money in the Omaha house and yards as a personal venture. He, Mr. Dunham, stated perhaps he had been partially to blame in not having kept up with the growth of this market; that it was his intention not to jeopardize the interests of the Omaha market in favor of any other market. He mentioned the difficulty of securing labor and touched strongly on suggestions of the Government that no large sum of money be spent at this time in promoting projects that could very comfortably wait until the conclusion of the war. He again stated in this connection, however, that it was not his intention to hamper the growth of this market, and that if mistakes had been made in the past they must be corrected. He mentioned among other matters that commission men continually employed the yard company's best employees. This was answered to the effect that if the yard company paid its employees more money they would be able to keep them.

Mr. Will H. Wood next took up the conditions at the several cattle scales during the week just past, showing in detail, when these scales were opened in the morning, when the first draft was weighed, when the first men showed up at the scales, the delays during the day, and, in fact, a pretty complete report of the several scales performances. He laid particular emphasis on the fact that we must have more men and more pens at the Omaha yards.

Mr. H. H. Roberts, of the committee, suggested that not only were there delays now, but that there was congestion and delay in the wintertime; that there were serious delays in delivering cattle to commission men. He made the further point that if there were more pens in the yards it would require less labor to handle the stock. At this point Mr. Buckingham suggested there would be less delay if commission men would get their cattle from the chutes, which was their plain duty.

In answer to a question of Mr. Tagg, the secretary made statement that while there were a number of pens in the sheep barn which had been cemented for hog yarding, there were not as many pens in the present hog yards proper as were used for hog purposes in 1890 and 1891.

Secretary also mentioned a number of improvements which could be temporarily installed—more pens on the south side of the yards, more pens to the west of the yards, temporary cattle pens in the hog yards, and the construction of additional chutes—pointing out that Omaha was not as well provided with unloading chutes as many of its competitors.

Taken as a whole, your committee feels considerable good was accomplished. Mr. Dunham met the committee in a very pleasant manner, intimating very plainly he wanted to know if things were not going satisfactorily at Omaha. He stated that if he heard no complaints from Omaha, he might consider the market was on the down grade, but as long as complaints were coming in he knew the business men at Omaha were alive to the situation. In answer to this particular phase of the situation Mr. Anderson explained somewhat in detail the position of our people. He stated that every member of the exchange was back of the complaint at hand, that the membership was in earnest, and intended ascertaining, if possible, if there was any remedy for the serious losses to our shippers and our membership on account of inadequate facilities and the lack of cooperation on the part of the stockyards company's management.

Mr. Dunham, in conclusion, stated that it was exceedingly difficult to do any kind of work this year, but that he expected to remedy any defects which might develop. Your committee feels that no efforts must be left neglected in bringing about a decided increase in facilities at this market, and that Mr. Dunham's suggestion to be kept informed of conditions at this point be taken advantage of.

Respectfully submitted.

W. B. TAGG.
FRANK ANDERSON.
WILL W. WOOD.
H. H. ROBERTS.
A. F. STRYKER.
SAM WERTHEIM.

Mr. HENNEY (continuing). That was dated October, 1917.
Now, I will read this letter, dated Friday, March 22, 1918:

SOUTH OMAHA LIVE STOCK EXCHANGE,
STOCK YARDS STATION,
OFFICE OF THE SECRETARY-TRAFFIC MANAGER,
Friday, March 22, 1918.

MR. E. S. HAINES,
Care Hotel Coates, Kansas City, Mo.

DEAR MR. HAINES: Inclosed you will find copy of report prepared by the sub-committee of our stockyards and railroad committee, which was read to our board of directors at a meeting held a week ago to-day.

The report carries with it so much food for reflection that the chairman of the committee asked the board of directors not to take any action on it until their next meeting, as he thought the matter should have the serious consideration of all the members of the board before it was passed upon by them. If nothing happens I expect to call a meeting of the board of directors some day the coming week to present this report to them for their official action. If they approve of the report it will then go to the exchange for their action, and from the sentiment expressed among the members of the exchange I am inclined to think the report will be unanimously adopted and the officers directed to take the matter up at once with the State railway commission or the Government authorities, in an effort to remedy present existing conditions.

I am also inclosing a copy of our annual report of the Omaha Live Stock Exchange, copy of which has been sent to all of our members.

Will be glad to learn what you find out about the two questions we discussed the other evening.

Yours, very truly,

W. B. TAGG, President.

Then on March 13, 1918, this report was made by two members of the exchange:

MARCH 13, 1918.

Omaha Live Stock Exchange.

GENTLEMEN: Your railroad and stockyard committee had a meeting with the manager and superintendent of the stockyard company on March 9 regarding their service, prospective improvements, etc. Your committee maintained the position of mutual interest and desires to work in harmony, but our members were insisting upon something tangible being done at once, and assurances given that necessary improvements would be made during the spring and summer. The manager stated that the company was doing all they could do, expressed himself as being desirous of giving good service, but at the same time said it was only a question of time before the commission men would be obliged to take all of the stock from the chutes in order to have proper service.

The stockyard company admit they do not deliver any of the hogs, but do deliver between 50 per cent and 60 per cent of the cattle and 90 per cent of the sheep to the pens of the commission men.

The manager would not say what improvements would be made and refused to give an opinion until after his return from the western live stock meeting in April.

We told him these conditions had prevailed for years and the business interests and patrons of this market had been put off in this and similar ways for years until the range season was upon us when it was impossible to do anything, and after admitting that the company had ample funds, land, etc., and that he did not believe the Government would interfere with any needed improvements, he still refused to give us any satisfaction. Your committee told him of their meeting with the railroad representatives in Omaha on the 2d, when arrangements were made for the earlier arrival of the live stock at the yards. He agreed this would help them very much; however, he would not agree to deliver all of the cattle, but would do the best he could.

Your committee presented facts, figures, and statements that did not admit of argument, showing there was sufficient stock in the States actually tributary to the Omaha market to supply 50 per cent to 100 per cent more stockyard, packing house, and buying facilities than we now have, and that because of their failure to provide these necessities, this trade has been and still is diverted to other markets where the supply is not equal to their demand, creating higher prices and giving the four packers doing business at Omaha a decided, unwarranted and unnecessary advantage.

After your committee has again gone over the situation with Mr. Buckingham, we expect to take this matter up with the president of the stockyard company, and if we do not receive the actual and bona fide relief we ask and know this market should have, we ask permission to go to the State Railway Commission, Government authorities, or take such other action as may seem right or necessary to secure the rights and justice for the patrons of this market and ourselves.

Very respectfully submitted.

C. A. MALLORY.
F. ANDERSON.

Mr. HENRY (continuing). I would like to say to the committee that R. J. Dunham, the president of the Omaha Stock Yards, is the stockyards man for Armour & Co. He is an official of Armour & Co., and spends a large part of his time in Chicago. Chicago is his headquarters. He is the president of the company referred to, and has been for years. Mr. Buckingham made light of the fact that Armour & Co.'s family owned only 27 per cent of the stockyards, and argued that it is not an Armour stockyards. Now, it is commonly known as the Armour stockyards in Omaha City, and Mr. Dunham is the man from whom Mr. Buckingham gets all of his orders.

Mr. Buckingham says that a committee gets the proxies that come in to a committee. This Senate committee knows how that is done. The officials of the company send out a request to the stockholders

of the company annually asking them to send their proxies to the voting committee, and the voting committee is Mr. Dunham in this case, employed on a salary of \$10,000 a year, and not an important stockholder. Mr. Sharpe is secretary of the company, on a salary of \$5,000 a year; and Mr. Dunham—now, of course, if the same board of directors is to be elected and the same officers—Mr. Dunham does not even go to the meeting; as Mr. Buckingham says, Mr. Dunham has not been to an annual meeting for a number of years until this year. If there is any change to be made the board of directors—Mr. Buckingham says it pays very little attention to the proxies; they are voted, evidently, by the secretary, of course, and that is a usual way. Where a company is controlled by certain interests and there is no interference with that control, the secretary does it all. Apparently, here is where the secretary does it all.

Senator NORRIS. I want to ask you the same question as I asked Mr. Buckingham.

Taking into consideration the diverse interests and the many ramifications and connections, in the way of stock and otherwise, perhaps understandings or agreements between the various packing establishments and the financial institutions, et cetera, is there any doubt that in a stockyards company where the packers own 27 per cent of the stock, that they control absolutely and completely the stockyards?

Mr. HENRY. Is there any doubt that what?

Senator NORRIS. Is there any doubt but what they do control the stockyards, even though they do own only 27 per cent.

Mr. HENRY. None whatever. As a matter of course, a packer would not need to have over 27 per cent in order to control, unless there was a unity of interest to control 51 per cent; that 51 per cent having a direct interest in operating the yards and determined to do it, to run it their own way; and that would not happen once in a thousand times in different corporations.

Here is Mr. Prince, who apparently owns all the stock of the company that controls the New Jersey corporation, which, in turn, is the holding company for the Chicago Stock Yards Co. and the Junction Railroad Co.

Mr. Prince is not a stockyards man. He does not care anything about stockyards. Mr. Armour is the man and Mr. Prince takes his orders from Armour; and Prince, in effect, told me that himself at Boston. And he told me furthermore that he would not dare fight Mr. Armour, because Mr. Armour is strong enough financially to break him.

Why, it is ridiculous to talk about it. They all had their representatives on the board of directors out there—Armour, Swift, Morris, and all of them. They had Arthur Meeker on there for Armour, and equally well-known men for the others.

Senator NORRIS. That was in Chicago?

Mr. HENRY. Yes. And that was before they had this interest in here. But they were getting this from this New Jersey company during all that time, \$2,000,000; that was being paid by the year. They had dividends on it; and their dividends came in ahead of any dividends on the stock; that is, the common stock. It was what they called "Income bonds," \$2,000,000—no, it was \$3,000,000 income

bonds. That was to run for 15 years, and they were to remain in the stockyards for 15 years. They were to have all stock come through the yards, and not buy on the outside without coming in through the yards and paying the yardage. That is so the company was protected against this large amount that it was paying to them. So those income bonds were finally taken up before the end of that period by the issue of bonds that were straight bonds, and on which the interest was payable in the ordinary way, so that they would be bankable and they would be able to raise money on them if necessary.

Now, that deal was made in 1891; and finally went into effect about July 1, 1892, as I recollect it. So it ran out July 1, 1907; and then they commenced to negotiate to have it continued. They were having that income during all those years, and they wanted some more. Some of the attorneys for the New Jersey company were telling them they could not give it to them, because it would be in the nature of a rebate, on account of the Junction Railroad, the Transit company having the Junction Railroad. So finally they had an agreed case, called the Felzer case, and the Stock Yards company agreed to give \$50,000 to Felzer to put up a new plant—because the Federal authorities had condemned his old plant.

So they took it to the Interstate Commerce Commission, and they had it sent to the Commerce Court to determine the question, and the Commerce Court held that it was not a bonus—that it was all right. It went to the Supreme Court, and the Commerce Court got the usual dose that their decisions received at the hands of the Supreme Court. The Commerce Court was reversed. I understand that all their decisions were reversed but one or two. I do not know that there was even one exception to that. The Supreme Court held that because the New Jersey company owned the stockyards and the Junction Railroad both, and that the Junction Railroad Co. was operating the terminal railroad on a lease, the company that operated the stockyards, and that the result was that the entire profit was made by the Junction Railroad, that while in form there was a separate ownership, that in substance it was all one, and therefore it was a bonus by the railroad company.

In the meantime, Mr. Prince worked out this plan by which they would get control of the company by getting a majority of the common stock of the New Jersey company, and then having a holding company for that—and I explained that plan the other day. Under that plan Mr. Armour got back more money than he ever put in. If he has not got it back he has it coming to him, and it is perfectly safe and secure. So he and Mr. Prince together became the beneficiaries of the surplus funds of those three companies. They get them by way of extra dividends.

Now, I can throw some light on the situation in regard to the Chicago stock yards, in regard to their operations. There has been a good deal said here as to the operation being much better on account of the fact that they are operated by the packers and the packers are interested in it. Before going into that, I would like to say this: It is uneconomical to ship those cattle, sheep, and hogs from a great many of the points from which they are shipped to Chicago for slaughtering, and that is proven by some letters we took from the files of Swift & Co., where Mr. Trainor, who is the best

man they have on cost figures in Swift & Co., and whose office is in the private office of Louis Swift and who knows more about their business than any other man in the concern—Trainor figured that there was a loss of 29 cents a hundred pounds on cattle that were shipped from St. Paul to Chicago instead of being slaughtered in St. Paul—that the shrinkage and freight made a loss of 29 cents a hundred pounds over slaughtering them in St. Paul.

Now, the packers claim that their profit per annum is not over \$1.29 a head. Now, 29 cents a hundred pounds shows this: Take grade 1 animals and they will dress from 550 to 650 pounds. That would make it from 129½ cents to 188½ cents on the 29-cent loss per hundred pounds—the loss 158½ to 188½ cents an animal dressing 550 to 650 pounds.

Senator NORRIS. That is so much loss per head?

Mr. HENY. So much loss per head over slaughtering them in St. Paul, if Trainor's figures are correct. Now, that is considerably more than the total profit per head made by the packers, if their story is correct as to how much they make.

Senator NORRIS. Well, is it correct?

Mr. HENY. No; it is not correct. But it is a fact that there is a loss in shipping from St. Paul, and I believe that this 29 cents is correct on that—per hundred pounds. So there would be that loss—from 160 cents, probably, to 190 cents per head—in shipping from St. Paul and selling in Chicago instead.

Well, it is just as far from Omaha, if my recollection is correct; in fact, it is farther from Omaha to Chicago than from St. Paul to Chicago. So you would have equally as great loss, or greater loss, in shipping from Omaha to Chicago.

So, as a matter of economy, and for the best interests of the consumers of the country, that stock ought to be killed at Omaha instead of being brought to Chicago.

Senator NORRIS. And for the same reason other stock ought to be killed at Kansas City instead of being killed at Chicago?

Mr. HENY. Yes, sir.

Senator NORRIS. And other stock ought to be killed at Sioux City instead of being killed at Chicago?

Mr. HENY. Yes. And other stock ought to be killed at Fort Worth and other stock at St. Paul. Why is it brought to Chicago?

Because the packers make Chicago the market in which they fix the price for cattle, sheep, and hogs; and they try to keep these other markets in line, as they call it. That is to say, that the price in the other markets shall be the Chicago price, taking into consideration the difference in freight. So the big packers are interested in having a congested market at Chicago, because with a congested market and where there is an oversupply, beyond their capacity even, it is an easy matter for them to depress the price, and in depressing the price in Chicago they are depressing it for the entire country, on the buying end of it.

Now, the complaint of Mr. Houx, of Kansas City, is well founded. It should be a much larger market than there is there to-day, and it is an artificial market that is being maintained, not a natural one in the cattle business. It requires all of the different instrumentalities which the packers have used in order to accomplish this monopoly.

It is not one of those things where a monopoly would come about naturally.

Senator NORRIS. Well, as I understand it, Mr. Heney, it is uneconomical to try to ship stock such a long distance before it is sold, so that there ought to be slaughter houses within a reasonable distance of the places where the stock is fitted for the market. Is that correct?

Mr. HENY. Undoubtedly that is correct. There is a shrinkage; and the freight on the live animal would be reduced to that on the finished product, which is a big item, and there should be a big saving in that respect. Take an animal that dresses only sixty per cent of the live weight, and, of course, you should ship the carcass instead of shipping the entire animal.

Senator NORRIS. I think you went into it briefly before, but I would like to go into it a little further.

Why is it that there are no great packing houses scattered around over the country east of Chicago? There is a great deal of stock produced in Maryland and Virginia and Delaware and Pennsylvania. What are the marketing facilities of the farmers, and the men who produce stock on the small farms through this eastern country?

Mr. HENY. Well, they have stock yards at different points in Pennsylvania, or there have been stock yards at different points in Pennsylvania, but they have never prospered because the big packers have deliberately undertaken to put them out of business. They have done the same thing with the selling of cattle. Take Philadelphia. With the tremendous population in Philadelphia and the magnificent resources of the State of Pennsylvania for raising cattle and sheep and hogs there ought to be large packing plants in the vicinity of the city of Philadelphia. The same way with Pittsburgh. That ought to be a large packing center.

Senator NORRIS. Well, there is this difference between the stock produced in the West and that produced in the East: In the West the individual stock man is a much larger producer. He goes into it on a larger scale. In other words, stock is the principal object that the stock raiser in the West has. On the other hand, in the East, the stock that is produced is produced by farmers who are not engaged extensively in the stock raising business. Is not that so?

Mr. HENY. Yes; that is a fact. The farmer has been discouraged east of the Mississippi River, in the production of cattle, sheep and hogs; and he has been discouraged in this way; that the big packer has shipped the frozen meat into these towns and cities, and sold it at prices that would force the local butcher to sell at a loss if he undertook to buy locally and do the slaughtering himself.

Senator NORRIS. That was what I was getting at. The butcher, for instance, in Hartford, Conn., buys his beef and his mutton from the Chicago packers?

Mr. HENY. Yes.

Senator NORRIS. And ships it from Chicago?

Mr. HENY. Yes. Well, they have their distribution plants. The big packers have distribution plants closed than Chicago. For instance, they would have such plants in New York and Boston, which would be more convenient to Hartford.

Senator NORRIS. But what I mean is the butcher in a town like Hartford, Conn., let us say, would buy his product, so far as beef and mutton are concerned—I understand it does not apply to hogs—but so far as the mutton is concerned, he would buy his product of the packers?

Mr. HENNEY. Yes, sir.

Senator NORRIS. And he would refuse to buy of a farmer who had a fat steer or some fat lambs, because he would be afraid that he might be punished by having the packers refuse to sell to him?

Mr. HENNEY. That is right.

Senator NORRIS. I was amazed the other day, after listening to your testimony, to hear a member of the Senate tell me over in the cloak room, when I had a chance to sit down and talk with him for a few minutes, that he had a farm and, as a patriotic duty, when we were short of food, especially meat, he decided to raise some lambs and fatten them, and that he told a man on his farm to do that, and that he did it, and that they did not know any different until they had the lambs ready to be slaughtered, and that then they were unable to get a butcher to take them, anywhere, under any conditions, or for any price; and that a neighbor of his had shipped in a carload of steers and divided them up around among several farmers, with the idea of helping out the food question, that the wanted to help supply the food necessary for the war, and that when those steers were fattened they could not sell one of them to the local butchers. I think that was the city of Hartford.

Mr. HENNEY. Yes; it would be more likely so in a city the size of Hartford.

Take the very small towns, and, of course, the packer is not able to stop it entirely, but in a place as large as Hartford each one of the packers may have a distributing plant right there in the town. Why, a butcher that buys from the outside would find great difficulty there in getting meat when he wanted it from the big packers.

Senator NORRIS. What must be done with the stock that is produced? Must it be shipped to Chicago and butchered there, and then shipped back again?

Mr. HENNEY. Well, you see it discourages people from raising stock, and so the stock that would otherwise be raised is not raised.

Senator NORRIS. Well, that is what happens in the West. It is shipped to Omaha and then shipped back again, is it not?

Mr. HENNEY. Yes. But you see it does not pay to ship just a few animals. So nobody goes into the business.

Senator NORRIS. That is the point I wanted to bring out. In the East, because a man only has one or two cattle it does not pay him to go into it. Does that explain why it is not done in the East and is done in the West?

Mr. HENNEY. Yes; that explains it. Now, of course, there are some cattle raised in the East, and they are sold and slaughtered; but it is a very limited number, and it is limited because of the discouraging conditions that exist.

Senator THOMPSON. Where are they slaughtered?

Mr. HENNEY. Oh, at different points. There are some slaughtered right in Philadelphia. But, on the other hand, in Philadelphia,

where there used to be a dozen slaughtering plants 15 or 20 years ago, or quite a number of years ago, perhaps a dozen years. that many plants there making money, you go in there now and they have quit slaughtering anything but what they call small stuff, such as calves and lambs, and not on any large scale.

Senator NORRIS. I want to ask you, Mr. Heney, whether your investigations disclosed that the packers had taken any interest in the selection of members of the Council of National Defense?

Mr. HENNEY. The members of the Council of National Defense?

Senator NORRIS. Yes.

Mr. HENNEY. Oh, yes; they were very much interested in it.

Senator NORRIS. Now, why were they interested in it? What were their activities in that direction?

Mr. HENNEY. Well, they were interested in it because the Council of National Defense was going to have committees which would have to do, as it looked in the beginning, with the purchasing of supplies.

Senator NORRIS. I had particular reference to the men who would have charge of the Councils of National Defense in the various States, going down to the county councils, and so forth. Did they use their influence to secure the appointment of such men, or prevent the appointment of other kinds of men?

Mr. HENNEY. You mean in the States themselves?

Senator NORRIS. As part of the Council of National Defense.

Mr. HENNEY. Well, you see, I think those selections were made by the governor in each State, and naturally in the State of Illinois the packers had some influence.

Senator NORRIS. Well, was it to their interest to control those appointments?

Mr. HENNEY. Yes. There were many ways in which the head men could be of service to them; and that is shown by the correspondence taken from their files by us.

Mr. Hoover was constantly referring matters to Mr. Wheeler, out there in Chicago; and Mr. Wheeler certainly did not have any viewpoint that was inimical to the packers' business.

Senator NORRIS. Was there anything in the file showing their taking any interest in the appointment of these members of the Council of National Defense in other States?

Mr. HENNEY. I do not remember, now, Senator, about that.

Senator NORRIS. What, if anything, did you find about the packers going into the wool business?

Mr. HENNEY. Well, of course, the packers' clip—as I heard a witness give it in Chicago not long ago, who is connected with one of the large companies in the business, buying wool in this country—the packers' clip, according to this witness that I heard, about 10,000,000 pounds a year of wool; and the total clip of the United States is about 300,000,000 pounds. But William Kent told me that it is his understanding that Swift & Co. and the American Wool Co. are the two biggest wool dealers in the country; and that a large part of the smaller dealers act as agents for one or the other of those two.

Senator NORRIS. You gave some testimony the other day about Mr. Hurley, and read some letters that he had written to the President;

and I do not remember but what you read some letter from the file showing that Mr. Hurley had rather promised that if the investigation of the packers was made by the packers, it would not be public and would be rather conducted along economical lines. That is, when he was a member of the Federal Trade Commission.

Mr. HENEX. Yes. He was then Chairman of the Commission.

Senator NORRIS. That was true, was it?

Mr. HENEX. Oh, yes.

Senator NORRIS. Is that the same Mr. Hurley who is new in Europe with Mr. Hoover, planning to expend the money that we are about to appropriate and send over there?

Mr. HENEX. I do not know what he has to do with that but it is the Edward N. Hurley who is chairman of the Shipping Board and is now in Europe. He is a Chicago man, by the way, and has a manufacturing business out there.

Senator NORRIS. If you are through with Mr. Hurley, I want to ask you about the "black book." I think there was some reference made to it.

Mr. HENEX. Yes; there was.

Senator NORRIS. What was the black book?

Mr. HENEX. The so-called black book is a book that had a black cover that was kept by Germon Sulzberger.

Senator NORRIS. That is when he was having a difficulty with the packers?

Mr. HENEX. Yes. And when he was having amicable meetings with the packers, as well. He told us about their meetings, when they were all in an agreement together, down in South America, in regard to the shipments to England.

Senator NORRIS. Have you got that?

Mr. HENEX. The whole of it is set up in Part II of the Federal Trade Commission's report.

Senator NORRIS. I did not know but that there was something about it that was not in there. That is all, then.

Mr. HENEX. Now, on the Chicago stockyards Mr. Brown testified in regard to conditions there; and I want to say that in a recent hearing which I was conducting in Chicago—not for the Federal Trade Commission, but an arbitration matter there between the packers and their employees—there was a great deal of testimony to the effect that the yards are in worse condition now than they have been for years; that the past winter, last year, was so severe that the yards got in awful shape and have been very bad ever since then; that they have not been able to clean them up. That means that the employees wade around in mud ankle deep, and so on, a large part of the time, and it is not a very good condition for the cattle or sheep or hogs.

I found that the so-called stock handlers who work for the stockyards company had been worked 15 or 16 hours a day for the past year, and they are required to work two Sundays a month, some of them, and another bunch are required to work one Sunday a month, and that is without extra pay. Then they are allowed to work and get extra pay on the additional Sundays. But they all said that they are too tired to work on those Sundays; that they are about worn out.

Now, those Sundays the extra work was to clean the yards; and apparently there is not any great effort being made to clean the yards. That was excused by one of the witnesses here this morning, Mr. Taliaferro, on the ground that labor conditions interfered. Well, the testimony at this arbitration a couple of weeks ago was that there are a couple of thousand men at the yards now looking for jobs.

Senator NORRIS. You will remember that the witness said this morning the yards were in a better condition now than they ever had been, a good deal better than when the packers did not own them.

Mr. HENRY. I do not think you exactly understood what he said. What he really meant was that before they were interested, and he meant the time they became interested in 1891, by this agreement on the part of the New Jersey company to make these payments to them. He was putting it back to a time beyond that, in reality.

Now, the commission men in Chicago nearly all signed this protest April 11, 1916. So this was before we got into the war, and has nothing to do with the war period.

This is at page 4524 [reading from hearings at page referred to]:

CHICAGO, ILL., April 11, 1916.

To the packers:

We, the undersigned live-stock commission merchants on the great Chicago Live Stock Market, representing literally thousands and thousands of producers of live stock and dealers therein, join in sending you this protest: First, against methods that have been used lately to influence violent price fluctuations, apparently not warranted by the natural operations of supply and demand; second, against the conditions under which the market is now forced to operate.

For some time past, actions have been witnessed on the part of larger purchasers of live stock that seem to be unfair and unjust, and time and time again undue advantage has been taken of the sellers of all kinds of live stock.

I want to call attention to the fact that Mr. Brown, who testified in regard to conditions there being so good, signed this protest. [Reading further from hearing:]

There is apparently no good reason why the buyers representing the larger packing interests should refuse to go out and bid on and try to buy stock until a late hour in the forenoon, as has been the custom for the past several years, and in many instances until after the noon hour.

This paragraph is marked with a blue lead pencil in heavy lines, and opposite it the word "suggestions" is written in lead pencil. The words "violent price fluctuations" in the first paragraph are underscored with blue lead pencil. The communication continues as follows:

We contend that such methods, employed to retard the progress of the market, have been very much to the disadvantage of the producers, the commission merchants, and the banks doing business at the stockyards, and the stockyards company. It was formerly the custom for more than 20 years to open the cattle market about 9 o'clock in the morning, and in a great many cases consignments of cattle were sold considerably before that hour, and it was not unusual for the entire receipts of hogs to be sold and weighed by 9 o'clock. The shippers received returns for their stock on the same day it was sold, and business was generally conducted in a much more satisfactory manner.

We, as commission merchants, are not seeking for any favor or looking for any advantages for ourselves. All we desire is the same fair and square treatment that we have given you for the last 40 years, but we believe that you owe it to yourselves and to us, as well as to the producers of live stock, to so use your great influence to strengthen and build up the public live-stock

kets of the country, and to improve your standing in the estimation of the stock community of the United States.

Yours, truly,

Bowles Live Stock Com. Co.; Rosenbaum Bros. & Co.; W. W. Wilson & Co.; Stafford Bros.; Alexander, Ward & Conover; Lee Live Stock Com. Co.; Walters & Dunbar; McCausland, Hoag & Vaughan; Martin Bros. & Co.; Adams & Kitchin; Brown, St. John & Co.; Russell, Freeman & Co.; Rice Bros.; Brownson & Ettlinger; National Live Stock Com. Co.; Sieh, Pritchard & Co.; Byers Bros. & Co.; Rappal Bros. & Co.; Drovers Commission Co.; H. D. Copeland & Co.; J. M. Doud & Co.; L. Spencer & Co.; Swanson & Gilmore; Silas Palmer & Sons; Tracy, Steward & Co.; Cochran & Henneberry; Freeland, Callahan & Godfrey; Abe Burnett & Co.; John Patterson & Son; Adler, Son & Co.; W. R. Smith & Son; Walter Bros.; W. W. Shearer & Co.; Wm. Gentleman & Sons; Shinn, Fry & Co.; Miller, White & Woods; Gillogly & Co.; Evans, Snyder, Buel Co.; Clay, Robinson & Co.; Bacon, Peterson & Co.; Cross, Smittle & Sommers; Fuller Com. Co.; Standard Live Stock Com. Co.; Baker, Heyne & Co.; Mullen & Evans; Geo. F. Hogan & Co.; Ward Commission Co.; Bunker & Swiney; Maley, Carpenter & Co.; Sullivan Commission Co.; J. J. Farrelly & Son; A. B. Daniels; Clark, Bowles & Co.; Conklin Bros.; Paris & Co.; J. C. Henderson & Co.; Northwestern L. S. Co.; Murray & McDowell; Iowa Live Stock Com. Co.; Abner Piatt & Co.; Tipton, Steck & Herrick; Central Live Stock Com. Co.; Hefner Commission Co.; Minter, Hibbird & Co.; Stephens & Goble; Irvine & Kuenster; Allenberg & Co.; Nixon, Horn & Chisolm; Geo. W. Morgan & Co.; Emmett & Wheeler; Roach Live Stock Com. Co.; Starrett, Mathison & Co.; The Knollin Sheep Com. Co.; Hansman, Thompson & Co.; Van Norman, Lawler & Co.

his firm Brown, St. John & Co. has as one of the members the Brown who was here as a witness, as I understand it.

I reply to that there was a letter from the packers. This protest dated April 11. I now wish to read a letter from Charles H. Swift to his brother, Louis F. Swift, dated April 19, 1916:

Referring to the petition or communication of April 11 to the packers from members of the Chicago Live Stock Exchange, and conversation on the subject:

After pretty careful consideration I am very much inclined to think that a small committee from the packers should meet a small committee from the Live Stock Exchange to review the subject and endeavor to amicably adjust any differences or feeling.

Do not suppose we should endeavor to regulate who the committee from the Stock Exchange should be. Am in hopes it would include Mr. Emilierson, but am quite inclined to think it will include him without any effort on our part.

There are so many different sides and angles to this question that it seems to me it would be better not to get into any heated arguments on the subject—going to pass them over as being at least very largely due to unusual conditions, which have passed, and starting fresh with an endeavor on both sides to give treatment and have a good feeling.

The biggest point they seem to have is buyers getting out very late in the morning. I would try to avoid any technical understanding as to what time would get out, but for our part I think it would be all right to try to have buyers out from 9 to 9.30 in the morning.

CHARLES H. SWIFT.

Mr. HENEX (continuing). The next letter is from Louis F. Swift to Mr. Charles A. Wilson, secretary of the Get-Together Club of Live Stock Commission Men, at the Union Stock Yards, Chicago. At the upper right hand corner, written in lead pencil, is "Copy HS, HHS, WL, RCM, JMC, ADW, and HV."

"CHS" is Charles H. Swift. "HHS" means Harold H. Swift. "WL" I am not sure just now. "RCM" is McManus, Mr. R. C. McManus. "JMC" is Carton, the Treasurer. "ADW" is Mr. White, publicity agent; and "HV" is for Mr. Veeder, attorney. He is general counsel.

This letter reads as follows:

APRIL 21, 1916.

MR. CHARLES A. WILSON,
Secretary, the Get-Together Club of Live Stock Commission Men,
Union Stock Yards,
Chicago, Ill.

DEAR SIR: I have your letter of April 14, inclosing letter signed by various live stock commission firms at the Chicago stockyards, which deals with two subjects. As to the first: The low prices prevalent last fall on beef cattle were certainly unfortunate for the industry as a whole. We dislike very much to see violent fluctuations in the market because we know that they discourage the feeders. Four our part, we assure you that they are of absolutely no benefit to us, and that the break of last fall made us no profit.

Mr. HENRY (continuing). There are pencil marks running from the word "benefit" to the lead pencil words "Publicity Get Together Out." The communication continues:

The principal factors which determine the price of cattle are the supply of cattle and the demand for the beef and by-products. Believe you will admit that the selling prices of beef and by-products must regulate to a great extent the prices that we can afford to pay for the cattle. We try to purchase our cattle on this basis, although we do not always succeed.

As to the second point. We are perfectly willing to have our buyers go out whenever the live stock is ready for sale, and if the commission men or the Chicago Live-Stock Exchange will undertake to make known when the stock is ready for sale by ringing a bell or giving notice in some other manner we will see that our buyers cooperate, or will give full consideration to any other suggestions you may make. You will agree that there have been times when, because of the nonarrival of live stock until late in the day, quarantine inspection and other matters, the yarding of the stock has been delayed. These things will have to be considered.

I note what you say—that for more than 20 years the cattle market opened by 9 a. m. and often times the hog market was over by that time, and that business was generally conducted in a much more satisfactory manner. I hope you are not overlooking some of the prices that were current during that period, as compared with the present time, as the writer never remembers, during his lifetime, a period when the best grades of cattle, hogs, and mutton were all bringing at least 10 cents a pound or upward, with the common grades higher in proportion. During a good part of the 20 years you mention live stock was not bringing one-half the money that it is to-day. I trust that this is being considered by you.

We feel very strongly that the best results for all concerned—live-stock raisers, live-stock feeders, commission men, and packers—can best be brought about and maintained by good fair treatment and friendly feeling, and we will be glad to work with you with this object in view.

Yours, respectfully,

LOUIS F. SWIFT.

Senator NORRIS. Is this a convenient point to stop?

Mr. HENRY. Yes; it is, Senator.

Senator NORRIS. Then we will adjourn until to-morrow morning at 10 o'clock.

(Thereupon, at 5.30 p. m., the committee adjourned until to-morrow, Tuesday, January 21, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

TUESDAY, JANUARY 21, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in Room 326, Senate Office Building, at 10 o'clock a. m., Hon. Thomas P. Gore, presiding.

Present: Senators Gore (chairman), Thompson, Page, Gronna, Norris, Kenyon, and France.

The CHAIRMAN. Gentlemen, we are to hear Mr. Logan this morning.

STATEMENT AND TESTIMONY OF MR. THOMAS F. LOGAN, 400 HIBBS BUILDING, WASHINGTON, D. C.

The CHAIRMAN. Please state your full name, address, and business.

Mr. LOGAN. My name is Thomas F. Logan; address, 400 Hibbs Building, Washington, D. C.; among other employments I am an adviser of Swift & Co. in all matters relating to their public policy.

The CHAIRMAN. Have you had experience in the packing-house business?

Mr. LOGAN. I have had no experience at all in the packing house business, and, if the Senator will permit me I will give the circumstances of my employment by Swift & Co.

The CHAIRMAN. Yes. I will be glad if you would define what you mean by "their public policies."

Senator KENYON. Mr. Chairman, may I ask the witness a few questions leading up to that in a more orderly way?

The CHAIRMAN. I would like if he would define what he considers "public policy" to mean.

Senator KENYON. He will lead up to and cover that.

The reason we called you here, Mr. Logan, was that your name was mentioned here by Mr. McIsaacs in his testimony. Do you know Mr. McIsaacs?

Mr. LOGAN. Yes, sir.

Senator KENYON. I want to ask you, Mr. Logan, when you came to Washington?

Mr. LOGAN. Ten years ago.

Senator KENYON. Did you come as a newspaper man?

Mr. LOGAN. I did.

Senator KENYON. And what paper did you represent?

Mr. LOGAN. The Philadelphia Inquirer.

Senator KENYON. Did you represent any others?

Mr. LOGAN. Not at that time. I immediately built up a very large newspaper and magazine business.

Senator KENYON. And what other papers did you represent?

Mr. LOGAN. Leslie's Weekly—and not immediately, you understand, Senator—Forbes Magazine, and the Fourth Estate, which is the trade publication of the newspapers—the newspaper editors and publishers. I wrote editorial correspondence for the Wall Street Journal, and I think one or two other magazines.

Senator KENYON. What others?

Mr. LOGAN. For a time the Manufacturers Record.

Senator KENYON. Is that of Chicago?

Mr. LOGAN. No; Baltimore. I think that is the whole list.

Senator KENYON. Let us see; Leslies, the Wall Street Journal, the Manufacturers Record, the Philadelphia Inquirer.

Mr. LOGAN. Did you mention the Wall Street Journal?

Senator KENYON. Yes.

Mr. LOGAN. Forbes Magazine?

Senator KENYON. Where is that published?

Mr. LOGAN. In New York.

Senator KENYON. Is that a large magazine?

Mr. LOGAN. Yes, a large magazine.

The CHAIRMAN. Is it literary?

Mr. LOGAN. Yes, literary.

Senator KENYON. Are there any others? You mentioned a printers' journal, the Fourth Estate?

Mr. LOGAN. Yes—oh, and I overlooked the American Economist, tariff publication.

Senator KENYON. Where was the Fourth Estate published?

Mr. LOGAN. In New York.

Senator KENYON. Was that a large magazine?

Mr. LOGAN. Well, I would consider it a large magazine.

Senator KENYON. The American Economist was the protective tariff magazine?

Mr. LOGAN. Yes, sir.

Senator KENYON. And the Wall Street Journal, was that a financial magazine?

Mr. LOGAN. That is a financial journal.

Senator KENYON. The Manufacturers Record, likewise?

Mr. LOGAN. Yes, that is a trade paper; and I no longer represent the Manufacturers Journal.

Senator KENYON. You do not represent them now?

Mr. LOGAN. I do not.

Senator KENYON. Do you represent these other papers now?

Mr. LOGAN. Yes, sir. I want to say, however, Senator, that in the last two or three years I have merely turned over my whole magazine and newspaper business to the organization that I built up to write for those magazines, and I am no longer paying any attention to the business at all.

Senator KENYON. Ten years ago you came here. Then you only represented the Philadelphia Inquirer?

Mr. LOGAN. That is correct.

Senator KENYON. How long before you commenced to branch out into these other lines, as to the newspapers?

Mr. LOGAN. Almost immediately.

Senator KENYON. You are a member of the Press Gallery?

Mr. LOGAN. I am not.

Senator KENYON. No, but you were?

Mr. LOGAN. Oh, I was, yes.

Senator KENYON. When did you become a member of the Press Gallery?

Mr. LOGAN. Immediately on coming here.

Senator KENYON. When did you cease to be a member of the Press Gallery.

Mr. LOGAN. I do not recollect exactly. I imagine it was about two years ago.

Senator KENYON. Can you not give the exact date?

Mr. LOGAN. No, sir.

Senator KENYON. Or month?

Mr. LOGAN. Well, I think it was about two years ago.

Senator KENYON. You mean two years ago now?

Mr. LOGAN. About two years ago now, yes.

Senator KENYON. So that January, 1917, is about the time you left the Press Gallery?

Mr. LOGAN. Yes, but you are fixing that, Senator, and I am not, because I am giving you the best of my recollection.

Senator KENYON. Yes, but you can fix somewhere near the time when you left the Press Gallery?

Mr. LOGAN. Yes, and I fix it as approximately two years ago.

The CHAIRMAN. You can fix the exact date?

Mr. LOGAN. Oh, yes; I can look it up and fix the exact date for it, if I am given the opportunity.

Senator KENYON. You can say what year it was in, can you not?

Mr. LOGAN. The reason I am not definite, Senator, is because it made no impression on my mind, because for several years I was going to the Press Gallery even before that. I do not believe in all the time I have been here I have been in the Press Gallery two dozen times, in the ten years.

Senator KENYON. Let us get back to this and get something definite. You came here ten years ago and became a member of the Press Gallery?

Mr. LOGAN. Immediately.

Senator KENYON. That is ten years ago.

Mr. LOGAN. That is 10 years ago.

Senator KENYON. I am asking you to state about when you left the Press Gallery?

Mr. LOGAN. I should say about two years ago.

Senator KENYON. You will not make it any nearer than that?

Mr. LOGAN. Well, I think two years ago is approximately correct.

Senator KENYON. Then I asked you if you left the Press Gallery in January, 1917?

Mr. LOGAN. I would say it was about that date, but I will be very glad to look it up for you.

Senator KENYON. I would like to get that date exactly.

Mr. LOGAN. I want to give it to you exactly, and I will be glad to look it up for you and will furnish it to the committee sometime this afternoon.

Senator KENYON. You received salaries from these various publications, did you?

Mr. LOGAN. I did.

Senator KENYON. Were they large salaries or small salaries?

Mr. LOGAN. Substantial salaries.

Senator KENYON. Substantial salaries?

Mr. LOGAN. Yes, sir.

Senator KENYON. Did any of these publications pay you merely by the articles you wrote?

Mr. LOGAN. No, because I always made it a rule that I should be paid by the month or the week.

Senator KENYON. Were you paid by the wall Street Journal by the year or week?

Mr. LOGAN. By the month.

Senator KENYON. What did they pay you per month?

Mr. LOGAN. \$150 per month.

Senator KENYON. Have they ever paid you any more than that?

Mr. LOGAN. No, sir.

Senator KENYON. That is what they are paying you now, is it?

Mr. LOGAN. Yes, sir.

Senator KENYON. What did the Philadelphia Inquirer pay you when you came here?

Mr. LOGAN. \$60 a week. Senator, might I ask you what you are leading up to?

Senator KENYON. What I am leading up to you will discover in due time. Have you any objection?

Mr. LOGAN. None, except that I object to your going into my personal and financial affairs, and I do not see what reference they have to this investigation.

Senator KENYON. Do you object to it?

Mr. LOGAN. I do object to telling all my personal affairs to the committee on matters that do not relate to the subject before the committee.

Senator KENYON. That is a question for the committee to determine. Did you receive your salary from Leslie's Weekly by the week, month, or year?

Mr. LOGAN. By the month.

Senator KENYON. Do you object to saying what that salary was?

Mr. LOGAN. Yes; I do, and I will tell you why I do, Senator. I do not think it is to the benefit of the magazines I represent to have their pay roll exhibited to this committee. I do not think they want their personal affairs known to this committee.

Senator KENYON. You have no objection to stating that they paid you a salary, have you?

Mr. LOGAN. None at all.

Senator KENYON. Then I would like to have you tell what your salary was.

Mr. LOGAN. And let me say that I have no objection, Senator, to giving you any information you want if you will show me it has any relation to the matter before the committee.

Senator KENYON. If it does not, of course we will strike it out. The Forbes Magazine, did they pay you a monthly salary?

Mr. LOGAN. Twice a month, by the article.

Senator KENYON. By the article?

Mr. LOGAN. By the article.

Senator KENYON. And the Fourth Estate, what about that?

Mr. LOGAN. By the week.

Senator KENYON. Is that time regarded by what you contributed?

Mr. LOGAN. Yes, sir.

Senator KENYON. And the American Economist?

Mr. LOGAN. By the week.

Senator NORRIS. I would like to inquire, Senator Kenyon, Are you going to insist on his answering your question here as to what that salary was?

Senator KENYON. We will come to that in a minute. When you came here the Manufacturer's Record paid you a salary, but you are not in their employ now?

Mr. LOGAN. No; and I was not in their employ when I came here. It was probably three or four years later. They paid me by the week.

Senator KENYON. They paid you by the week?

Mr. LOGAN. Yes.

Senator KENYON. They are all paying you salaries now with the exception of the Manufacturer's Record?

Mr. LOGAN. Yes, sir.

Senator KENYON. I will ask you—and, of course, you have the right to decline to answer, and that becomes a matter, then, for the Senate?

Mr. LOGAN. Yes, sir.

Senator KENYON. But I will ask you the question to lay the foundation as basis for bringing action by the Senate, if necessary.

What was your salary from Leslie's?

Mr. LOGAN. I will leave it entirely with the chairman of the committee. If the chairman of the committee feels that it is important for me to state, I will be very glad to state it; and, in fact, there is no reason why I should not state it. If the Senator thinks that this is germane to the issue before the committee and that it is not merely a fishing excursion to look into my personal affairs and my financial affairs, I will be very glad to answer it.

The CHAIRMAN. My idea about that would be this, Mr Logan; that you may decline to answer for the present, and if during the short examination it should develop to be material, why, then, I think we will insist upon it.

Senator NORRIS. Does the chairman decide that he does not need to answer that question?

The CHAIRMAN. Senator, my judgment would be that at this juncture the Committee would hardly feel like insisting on it. If in the course of the examination it should be found to be material as the examination goes forward, then the committee would insist upon it.

Mr. LOGAN. That is precisely the way I feel about it, Senator.

Senator NORRIS. I would like to get the judgment of the Committee on that, Mr. Chairman.

The CHAIRMAN. Very well.

Senator NORRIS. I think it is material and we have a right to know it. If we have a right to know anything about it at all, we have the right to know it all.

The CHAIRMAN. I have no doubt that if the Committee considers it material that Mr. Logan will admit the materiality of it, Senator Norris.

Senator NORRIS. A man's financial and personal affairs is a proper thing to inquire about.

The CHAIRMAN. I think that the Committee ought to keep within the limits, and then if the materiality develops as we go along we will insist upon it.

Senator NORRIS. In my judgment this is preliminary. The materiality of it is perfectly obvious now.

The CHAIRMAN. I would take Senator Kenyon's judgment on that, but as the presiding officer I would like to keep the Committee within the limit.

Mr. LOGAN. If Senator Kenyon will say now that he considers it material as to what he is leading up to, I will be very glad to answer.

Senator KENYON. I am willing to leave it for the present and then come to the point when I think it is material.

The CHAIRMAN. I think this, Senator Norris, the committee—

Senator KENYON. I will ask him this question to lay the foundation, for the question, and then come back to it. What was the basis of your salary with the magazine known as the Forbes Magazine?

Mr. LOGAN. That was fixed by the article on the space basis—strictly space basis of each article, which was about \$15 per article.

Senator KENYON. Did you write many articles for that magazine?

Mr. LOGAN. Yes, I wrote one article for every regular issue.

Senator KENYON. Was that a monthly magazine?

Mr. LOGAN. No, semi-monthly.

Senator KENYON. I will ask you how your salary with the magazine called the Fourth Estate was fixed?

Mr. LOGAN. That was fixed in exactly the same way.

Senator KENYON. How often do you write articles for that magazine?

Mr. LOGAN. Once a week.

Senator KENYON. And the American Economist, the same way?

Mr. LOGAN. The same way; and, since we are going into it—you see, Senator, I have been answering the same line of questions that I seemed to decline to answer.

Senator KENYON. No.

Mr. LOGAN. Well, I have, because I can immediately say that the articles for Leslie's were fixed in the same way, since you are going into my personal affairs to this extent.

Senator KENYON. Is that a monthly salary?

Mr. LOGAN. No; I did not say I got a monthly salary from Leslie's—a weekly salary, and it was based on the articles, \$25 per article.

Senator KENYON. If you did not write an article you did not receive your pay?

Mr. LOGAN. Oh, I did receive my pay, because it was a weekly feature of the magazine—a very valuable feature; and practically all these magazines know that my chief business is as adviser to some of the large corporations of the country.

Senator KENYON. Do the readers of the magazines know that, too, when they read your articles?

Mr. LOGAN. There is nothing to indicate that I am, for this reason, Senator: That none of the articles that I write has anything to do with the advice that I give to the corporations.

Senator KENYON. What articles do you write for the Philadelphia Inquirer?

Mr. LOGAN. I do not write any, because I have not been writing any articles since I have taken these advisory employments.

Senator KENYON. Then you have not received any pay from the Philadelphia Inquirer for some time?

Mr. LOGAN. Oh, yes, I have, because I employ a staff to write.

Senator KENYON. And they pay you for what the staff writes?

Mr. LOGAN. That is it exactly, precisely.

Senator KENYON. You do not write any of those articles; your staff writes them?

Mr. LOGAN. I have not been writing them for two years; and I early turned over my business to the assistants whom I had so many years before I took up this line of work.

Senator KENYON. How many men do you employ yearly in the business which you say you organized to get up these articles?

Mr. LOGAN. Four.

Senator KENYON. Four men?

Mr. LOGAN. Yes.

Senator KENYON. Do you pay them very substantial salaries?

Mr. LOGAN. I do, indeed. I pay them substantial salaries, and if you would care for it, I would be very glad to give you those salaries, Senator, since you are going into this matter.

Senator KENYON. All right; let us have them.

Mr. LOGAN. I pay the chief of my office \$75 a week and I pay the man who ranks next to him \$50 a week.

Senator KENYON. These are the writers, are they not?

Mr. LOGAN. Yes; and another one \$25 a week; and still another one \$50 a week; and I pay my secretary \$50 a week.

If there is anything else you would like to know about those financial affairs I would be very glad to tell you.

The CHAIRMAN. That is \$250 a week, is it not?

Mr. LOGAN. Yes, sir.

Senator KENYON. A week?

Mr. LOGAN. Yes, sir.

Senator KENYON. What you got from the newspapers does not pay what you pay this force?

Mr. LOGAN. Yes; it does.

Senator KENYON. Does it pay them?

Mr. LOGAN. It does just about pay them.

Senator KENYON. Just about pays them?

Mr. LOGAN. Just about pays them. And, Senator, incidentally, recently I have been compelled to decline engagements from several magazines because I was not able to devote my personal attention to them.

Senator KENYON. How many offices do you maintain here in Washington?

Mr. LOGAN. I maintain my own business office in the Hibbs Building, and then I keep the newspaper office absolutely separate, and am letting the head of that office run it himself, and he never sees me and I do not see him once in six months.

Senator KENYON. You have three offices here in Washington, have you not?

Mr. LOGAN. No; two—two sets of offices.

Senator KENYON. One in the Hibbs Building, and have you one in the District National Bank Building?

Mr. LOGAN. That is where the newspaper offices are.

Senator KENYON. And you have another office?

Mr. LOGAN. No other office.

Senator KENYON. No other private or newspaper office?

Mr. LOGAN. No other. The office in the Hibbs Building is my business office, where I do all my business.

Senator KENYON. What you receive from the newspapers does not cover all your expenses?

Mr. LOGAN. The Philadelphia Inquirer covers the office expense. It is their office.

Senator KENYON. But your private office?

Mr. LOGAN. I pay that out of my business income.

Senator KENYON. Out of your business income?

Mr. LOGAN. Yes, sir.

Senator KENYON. When did you take on connections with these corporations you speak of in the country—about when?

Mr. LOGAN. About two years ago.

Senator KENYON. Can you fix that date in any way?

Mr. LOGAN. I think that one of the first—or not one of the first—probably about three years ago.

Senator KENYON. Which was the first one you took on?

Mr. LOGAN. I was appointed assistant to the president of the Atlantic Refining Co., asked to go to Philadelphia and leave Washington, and work over there.

Senator KENYON. Were you paid a salary by them?

Mr. LOGAN. Yes, sir.

Senator KENYON. But you did not go to Philadelphia?

Mr. LOGAN. No, I did not. I was reluctant to leave Washington, because I had my home here, and I wanted to stay here.

Senator KENYON. What did you do to earn this salary with them?

Mr. LOGAN. I advised them in all matters of policy.

Senator KENYON. What was that company?

Mr. LOGAN. It is a refining company.

Senator KENYON. An oil company?

Mr. LOGAN. Yes, sir.

Senator KENYON. Standard Oil Co.?

Mr. LOGAN. No, sir.

Senator KENYON. An independent company?

Mr. LOGAN. I think all the companies are now independent, are they not, Senator?

Senator KENYON. The decree of the Supreme Court may make them independent.

Mr. LOGAN. I think it does.

The CHAIRMAN. Was that formerly a Standard company?

Mr. LOGAN. Yes, it was formerly a Standard company.

Senator KENYON. Did you make your arrangements directly with them, or with the Standard Oil Co.?

Mr. LOGAN. Directly with the Atlantic Refining Co.

Mr. KENYON. What did you advise them about—how they should run the business?

Mr. LOGAN. Mainly about how they should run their business; and I think, Senator, that there was a time when corporations were quite content merely to obey the law. I think that to-day they are trying to go a little beyond that in meeting public opinion. The business I am in is no unusual business at all. It has to do with establishing their public relations on a sound basis. It has to do with their advertising policy, with the policy with which they serve their customers.

Senator KENYON. I suppose they paid you a pretty substantial salary for that kind of advice, did they not?

Mr. LOGAN. Yes, they did.

Senator KENYON. Did you not advise other oil companies as well as this particular one?

Mr. LOGAN. Yes, sir, I did.

Senator KENYON. The Standard oil companies?

Mr. LOGAN. Yes, sir.

Senator KENYON. Were you advising the Standard oil companies as far back as three years ago as to their policy?

Mr. LOGAN. No, not as far back as three years ago. This was the only company, and it was through a very long friendship. I had known the president of this company for many years. I was a Philadelphian.

Senator KENYON. Who was he?

Mr. LOGAN. Mr. Van Dyke.

Senator KENYON. That was the only one you had three years ago?

Mr. LOGAN. Yes, sir.

Senator KENYON. I am interested in knowing just what you advised them as to their business—to conform to the law?

Mr. LOGAN. No, sir; to go a little beyond conformance to the law, and to meet the sentiment of the public, and I could do it just as well in Philadelphia—in fact, much better, because I could study their business much better at the home office. For instance, I have frequently given them advice about the tendencies of Congress, advice based upon a very careful study of your Congressional Records. I think it is the best way to keep informed as to the doings of Congress, to read the Congressional Record.

Senator KENYON. You read that, do you?

Mr. LOGAN. I read that most carefully. Sometimes it is painful, but mostly it is pleasurable.

Senator KENYON. You ought to have a good salary from somewhere for that.

Mr. LOGAN. You would be surprised how carefully I have read your own speeches.

Senator KENYON. You ought to have a doubly good salary. You would read the Record, and then you would see what was going on in Congress and advise them how to keep in harmony with the spirit of the times?

Mr. LOGAN. Yes. And I think this: I do not think that reading the Congressional Record alone would enable anybody to keep in touch with public sentiment, but I think that the newspapers cover Washington very thoroughly—extremely thoroughly—and all the news needs for any one corporation is a little application of the lesson conveyed by the day's news.

Senator KENYON. Do you convey them the social news, and things of that kind? Take a Member of Congress who may attend ban-

quets and dinners and things of that kind—do you apprise them of that fact, and that it would be a good idea to give them a banquet?

Mr. LOGAN. No. As a matter of fact, I do not apprise them of any news. I have no news service which I give to corporations.

Senator KENYON. What did you ever give these people about their situation, or about the public, that warranted you drawing a salary from them?

Mr. LOGAN. For instance, I have advised them as to the establishment of new refineries, based upon some financial knowledge, and a knowledge of financial conditions; and extension of their markets into Mexico. I have advised them as to the Mexican situation, for instance, whether the situation was improving in Mexico or not, and if you will take enough of the articles printed on Mexico, the articles printed by trade publications, printed in financial journals, you can keep in touch with it much better than a busy man, a man like the president of this refining company, can keep in touch with it himself.

Senator KENYON. That is the line of work you did?

Mr. LOGAN. Yes. I go over all the trade publications for the Atlantic Refining Co. I go over all the ads which they use themselves and the advertising policy of other companies. I advise them as to their advertising policy—their publicity policy—although I do not do any of the publicity work for them myself. I made it a rule not to give any attention to publicity except in an advisory way.

Senator KENYON. Have you any particular ways and sources of information because of your friendship with people in public life?

Mr. LOGAN. I have not; nor have I ever claimed to have, because I think there is one way to influence Congress, a very excellent way, if anybody will rely upon it exclusively, and that is to marshal facts. I think that the only thing Congress is interested in is facts.

Senator KENYON. Have you tried to influence Congress by marshaling facts?

Mr. LOGAN. Not myself. I have told them that whenever they wanted to impress Congress at all they had better have facts and the truth behind the facts. I have seen battalions of prejudices mowed down by small companies of facts.

Senator KENYON. That was certainly good advice.

Mr. LOGAN. That is what I think.

Senator KENYON. Did you take on any more during that year—three years ago?

Mr. LOGAN. No. It was shortly after that that I took on Swift & Co.

Senator KENYON. When did you take them on?

Mr. LOGAN. I took Swift & Co. on about two years ago. But, Senator, what do you mean by "taking them on?" You do not mean I solicited their business?

Senator KENYON. No.

Mr. LOGAN. Because I did not.

Senator KENYON. But they employed you about two years ago?

Mr. LOGAN. Yes, sir.

Senator KENYON. Could you come anywhere near fixing the date? Have you not something to show the exact date when you were employed by Swift & Co.?

Mr. LOGAN. I have the circumstances of my employment very clearly in my mind.

Senator KENYON. What were they? Who saw you about it?

Mr. LOGAN. Mr. Veeder came on to see me. He had seen an article which I had printed on public policy, and I think commending some corporations' methods, and he came in to ask my advice about a matter. He came in and introduced himself to me and said he wanted my advice about their policy, their publicity policy, what was the matter with it.

Senator KENYON. The Swift policy?

Mr. LOGAN. Yes; why did they not seem to get a square deal in Washington. I told him that one of the things that I would advise him to do immediately—and I was not under employment by them—was to advocate strongly, not only in Congress, publicity, before any Senate committee where he could get a hearing, but in every State's legislature where he could get a hearing, the strictest kind of anti-lobbying legislation, because I felt they were more the victims of lobbyists than they could possibly gain from lobbying.

Senator KENYON. Did he seem to like that advice?

Mr. LOGAN. Yes, he did; so much so that a month later he came back and asked me whether I would take employment as adviser of the public policy of Swift & Co.

Senator KENYON. You took that?

Mr. LOGAN. I did immediately.

Senator KENYON. Have you advised these advertisements that are going through the papers now?

Mr. LOGAN. I have. That was my suggestion.

Senator KENYON. Did you write these ads?

Mr. LOGAN. I did not. But I advised them, outlined the kind of advertising it should be, and it was on my theory that you can do more by the presentation of facts than you can by any other means.

Senator KENYON. Did you advise him that heavy ads of that character were likely to influence the editorial expression of papers?

Mr. LOGAN. No; I did not. I did advise him this, however, that money placed in advertising, either in magazines or in newspapers, brings a much better return than money invested in real estate.

Senator KENYON. Do you know how much the packers are paying a month for advertising?

Mr. LOGAN. No; I do not.

Senator KENYON. You have nothing to do with amounts?

Mr. LOGAN. No; and I have nothing to do, incidentally, with placing the advertising.

Senator KENYON. Do you know where it is placed all over the country?

Mr. LOGAN. No; I do not. Nor did I select the newspapers in which it should be placed. I merely outlined this policy, which is my business.

Senator KENYON. What salary did Swift & Co. pay you for this?

Mr. LOGAN. A salary I fixed myself, \$6,000 a year.

Senator KENYON. Was that when you started, or now?

Mr. LOGAN. That was when I started.

Senator KENYON. What is it now?

Mr. LOGAN. The same. I fixed it myself, and I fixed it at what I considered a low figure, because I made it perfectly plain to them that I had many other engagements, and that I could not give my whole

time to them, but that I would be available for consultations when they wanted to come and see me.

Senator KENYON. What was the salary from this company for the year before?

Mr. LOGAN. The Atlantic Refining Co.?

Senator KENYON. Yes.

Mr. LOGAN. I started with them at \$300 a month, and it was advanced gradually until it is \$700 a month.

Senator KENYON. During the time you were employed by this Atlantic Refining Co., you were a member of the press gallery, were you not?

Mr. LOGAN. For a time I was; yes.

Senator KENYON. Are you familiar with the rules of the press gallery?

Mr. LOGAN. Yes sir; I am.

Senator KENYON. Possibly, then, I need not read you this rule—

Mr. LOGAN. No; I am quite familiar with it. It provides—

Senator KENYON. Let me read it.

Mr. LOGAN. Go ahead.

Senator KENYON. Which one had you in mind?

Mr. LOGAN. I had in mind the new rule, which was the cause of my sending my resignation to the press gallery.

Senator KENYON. This reads:

Persons desiring admission to the press galleries shall make application to the speaker as required by Rule—

Mr. LOGAN. (interrupting). Just to save you embarrassment in this—

Senator KENYON. (interrupting). I am not embarrassed at all.

Mr. LOGAN. But I think you might be, because you are presuming that the rule was the same rule that was in effect when I was representing the Atlantic Refining Co. It was not the same rule at all. It was adopted later.

Senator KENYON. You are correct in suggesting that I am assuming a rule was in effect preventing people from being in the press gallery who had occupation such as you had from any of these corporations. Am I wrong about that?

Mr. LOGAN. I understood that that was not the correct interpretation of the rule at that time. I am not sure.

Senator KENYON. If you are right, I am wrong. I understand there was a rule that prohibited this thing. You may know better than I do about it, being a member of the press gallery.

Mr. LOGAN. I am not sure. My recollection is hazy. I see no advantage at all in being in the press gallery.

Senator KENYON. Is there no advantage in a man being in the press gallery, going around to Senators and Members of the House and getting information from them about legislation? Do you tell this committee that there is no advantage in that?

Mr. LOGAN. I would like to be under oath, almost, in this, if it were possible. I would like to take oath right now when I testify.

Senator KENYON. I think it would be a good idea.

(The chairman thereupon administered the oath to the witness.)

Mr. LOGAN. This is what I want to say under oath, Senator, that in the time that I was a member of the press gallery my visits to

the press gallery became fewer and fewer, until four years ago I did not make one visit to the press gallery in a whole year. I never went into the lobby of the Senate or the House to see Senators. I see no advantage in it. I think every Member of the Senate here will say that I have never seen him. I have never gone to see him; I have never gone into the lobbies of Congress to see him. There is no advantage in it for me and my business.

Senator KENYON. Getting back to my question, do you still maintain that there is no advantage in being in the press gallery as to seeing and getting information from Members of Congress?

Mr. LOGAN. Senator, in my business it is a positive detriment to have any connection with a newspaper, a positive detriment. I want to get rid of it.

Senator KENYON. Why do you not give up these newspapers, then?

Mr. LOGAN. I will tell you one reason, which is a personal reason. With the Philadelphia Inquirer, the owner of the paper has been my personal friend for 20 years. He was a personal friend of my father. My father was employed by the same paper before me. They have been close personal friends, and he does not want me to give up the paper. He knows I am not paying any attention to it, but he knows I have organized the job so that it is done well.

Senator KENYON. Does the Wall Street Journal want you to give it up, or do you want to give it up and do they want to insist on keeping you?

Mr. LOGAN. No. I have never even asked about it. I am maintaining it merely to keep a man in the office, and the plan I have had in my mind for some time is to turn the business over to the man who has done the job well in my office. That is what I want to do as soon as I can do so.

Senator KENYON. Because you feel these newspaper connections injure your other work?

Mr. LOGAN. Certainly, for this reason, business men, when they come to newspaper men, do not talk about their innermost business, as they would to an adviser. Do you think they would?

Senator KENYON. Well, I do not know about it. I want to get back to my question, now, if you will answer it. Do you not know, as a matter of fact, that Members of Congress talk freely with the newspaper boys, giving them information that they would not give to outsiders, relying on their honor?

Mr. LOGAN. Yes.

Senator KENYON. Relying on them not to disclose matters?

Mr. LOGAN. Yes.

Senator KENYON. And there is a distinct advantage in a man being in the press gallery, is there not, to get information as to what is going on?

Mr. LOGAN. There may be to other men. There has not been to me, because I have not availed myself of it.

Senator KENYON. Is that why you got out of the press gallery?

Mr. LOGAN. Absolutely, because I never went to the place.

Senator KENYON. Had you heard rumblings about your going to be put out of the press gallery because of these connections you maintained?

Mr. LOGAN. No, sir.

Senator KENYON. You did not resign because of that?

Mr. LOGAN. No, sir, because I was not going to the press gallery at all.

Senator KENYON. Did you write articles here for the Washington Post?

Mr. LOGAN. I wrote editorials.

Senator KENYON. And when were you editorial writer for the Washington Post?

Mr. LOGAN. About a year after I came here.

Senator KENYON. When did you cease to be editorial writer?

Mr. LOGAN. About a year and a half ago.

Senator KENYON. Before the war?

Mr. LOGAN. I think it was a little after; I guess it was about a year ago.

Senator KENYON. At that time you had all of these connections with the corporations?

Mr. LOGAN. Yes, sir.

Senator KENYON. And you felt, as you said a while ago, that the newspaper business would injure your other business, and yet you were an editorial writer on the Post up to a year and a half ago?

Mr. LOGAN. That is right.

Senator KENYON. Was fault found with the nature of your editorials?

Mr. LOGAN. Not to my knowledge.

Senator KENYON. How did you happen to leave the Post?

Mr. LOGAN. I left because I believe they were cutting down expenses. [After a pause:] No; because I was not devoting all my time to it, as I recollect it.

Senator KENYON. Devoting all your time to it?

Mr. LOGAN. Yes.

Senator KENYON. How much time did you devote to the Post?

Mr. LOGAN. About an hour and a half a day. I dictated my editorials.

Senator KENYON. What salary did you receive for that?

Mr. LOGAN. \$50 a week.

Senator KENYON. You were getting \$50 a week from the Post and \$6,000 a year from Swift?

Mr. LOGAN. Yes, sir.

Senator KENYON. Was any objection raised to your articles on the question of the war?

Mr. LOGAN. In the Post?

Senator KENYON. Yes.

Mr. LOGAN. No, sir.

Senator KENYON. Your attitude toward the war?

Mr. LOGAN. No, sir. Senator, I would like to know what is back of that question, though.

Senator KENYON. I am just asking whether any objection was raised because of your attitude on the war?

Mr. LOGAN. The reason I am asking what is back of it is because my attitude toward the war was probably the most vigorous attitude of anybody in this country.

Senator KENYON. You were writing strong proally editorials?

Mr. LOGAN. No, sir. The paper at that time, I thought, was not quite as strong as it ought to have been.

Senator KENYON. That is what I am getting at.

Mr. LOGAN. Yes.

Senator KENYON. And were you writing the editorials that were making them not quite as strong as you thought it ought to be?

Mr. LOGAN. That I was not; by God, I was not.

Senator KENYON. So you were not responsible for any of the editorials that were criticised at that time?

Mr. LOGAN. Believe me, I was not.

Senator KENYON. I am glad to know that. Now you say the purpose of the question was not hostile.

Mr. LOGAN. No; I see it was perfectly fair. But it is a rather touchy point with a man who has felt as I have felt about that very policy.

Senator KENYON. Was that why you left the Post?

Mr. LOGAN. No; it was not. It was enough, though.

Senator KENYON. Before we diverted we were discussing the Swift matter, referring to about two years ago. Do you represent any of the other packers?

Mr. LOGAN. No, sir.

Senator KENYON. What other corporations do you represent in this way you have been indicating?

Mr. LOGAN. The Freeport Sulphur Co.

Senator KENYON. Where are they located?

Mr. LOGAN. Their headquarters are in New York.

Senator KENYON. Do you advise them in the same way?

Mr. LOGAN. Yes, sir; exactly the same.

Senator KENYON. What salary do you receive from them?

Mr. LOGAN. \$500 a month.

Senator KENYON. That is the same as the Swift?

Mr. LOGAN. Yes.

Mr. KENYON. How long have you represented them?

Mr. LOGAN. Just the same length of time; about two years. No, I guess it is a little less than that, about a year and a half; and, incidentally, I have written all of their posters, for instance, their war posters, and that sort of thing, in addition to being an adviser.

Senator KENYON. What do you mean by their war posters?

Mr. LOGAN. Similar to the war savings posters which the Treasury Department has gotten out, for posting in their offices and factories during the war to stimulate employees.

The CHAIRMAN. What financial interests control that company?

Mr. LOGAN. The Freeport Sulphur Co.?

The CHAIRMAN. Yes.

Mr. LOGAN. I think Mr. Swensen owns the majority of the stock in it. I think it is a large stock company.

Senator KENYON. What other companies?

Mr. LOGAN. The General Electric Co.

Senator KENYON. Where is their main office—Cleveland?

Mr. LOGAN. No; Schenectady and New York.

Senator KENYON. You have represented them about the same length of time?

Mr. LOGAN. Yes, sir.

Senator KENYON. What salary do you receive from them?

Mr. LOGAN. \$6,000 a year.

Senator KENYON. Is that a sort of a standardized salary?

Mr. LOGAN. It is the salary I have fixed myself.

Senator KENYON. In that first one you got a little more—\$700 a month.

Mr. LOGAN. Yes; and that was an increased salary because I was doing much more work.

Senator KENYON. What other corporations did you represent?

Mr. LOGAN. The Standard Oil Co. of Indiana.

Senator KENYON. What do they pay you?

Mr. LOGAN. The same salary.

Senator KENYON. What others?

Mr. LOGAN. That is all that I recall at the moment. I have from time to time represented other corporations temporarily.

Senator KENYON. What are some of the others that you represented temporarily?

Mr. LOGAN. The Standard Oil Co. of New Jersey.

Senator KENYON. Did you get any fixed salary from them?

Mr. LOGAN. It was on the basis of \$500 a month. That is all.

Senator KENYON. That is all?

Mr. LOGAN. That is all.

Senator KENYON. And that is entirely to advise them about business management, is it?

Mr. LOGAN. And their advertising policy, and their policy in keeping in line with public sentiment; and, incidentally, it is being done. I suppose that you know that this is a well recognized business?

Senator KENYON. Your business?

Mr. LOGAN. My business, yes. It is being done in New York quite extensively. I think the man who has built up a business that is even larger than my own is Ivy Lee, in New York. But he practices in New York.

Senator KENYON. Why do you have the business in Washington? What particular reason was there for having it in Washington?

Mr. LOGAN. It was simply an accident of location, as far as I was concerned, because almost invariably in engaging me the effort has been made to take me to the home office.

Senator KENYON. You are not incorporated at all?

Mr. LOGAN. No.

Senator KENYON. You are just an individual concern?

Mr. LOGAN. I am an individual concern.

The CHAIRMAN. Are these several other people here engaged in the same business?

Mr. LOGAN. I do not think there is anybody engaged in the business in Washington that I know of.

Senator KENYON. You have quite a monopoly in this business here, have you not?

Mr. LOGAN. It is my own business.

Senator KENYON. Your creation?

Mr. LOGAN. It is my own creation, and it is really, I might call it, an accident of ability.

Senator KENYON. Do you send any report to these concerns as to what Congress is likely to do?

Mr. LOGAN. I think that would be taking a very big chance to do that, Senator.

Senator KENYON. You do not venture that?

Mr. LOGAN. No; I do not venture that.

Senator KENYON. Do you let them know——

Mr. LOGAN. Although, for instance, I have seen occasions where a very, very dreadful bill seemed to be introduced, when they have asked as to the prospects of its passage in my office, if it has been introduced by a Republican, I have been very free to advise them that it has less chance of going through than if it were introduced by a Democrat during this administration.

Senator KENYON. And there are as many bad bills introduced by Republicans as by the Democrats?

Mr. LOGAN. I think it is fifty-fifty.

Senator KENYON. How do you know about the bill not passing unless you get around and get some line on the Members of Congress?

Mr. LOGAN. Just the suggestion I made just now shows just how it is done. I think that is a matter of common knowledge, that the party in power has more authority over bills than the party out of power.

Senator KENYON. So you determine it just on that principle?

Mr. LOGAN. That is as far as I go. I am merely using my judgment, and I do not need any special information beyond what I could easily get out of the Congressional Record.

Senator KENYON. If a Republican introduces a bill you think it is safe to advise your clients that it will not pass?

Mr. LOGAN. No, indeed, I do not; because I recognize that there are Senators like yourself and Senator Norris, who are indefatigable, and who frequently get through bills, even through a Democratic Congress.

The CHAIRMAN. Do you think the introducing of a bill either by a Democrat or Republican foreshadows any probability of its passing unless it has——

Mr. LOGAN. Merit?

The CHAIRMAN. No; influence back of it?

Mr. LOGAN. Unless it has influence?

The CHAIRMAN. Back of it?

Mr. LOGAN. The influence of a sufficient number of Congressmen.

The CHAIRMAN. You still think that the power to legislate, to initiate legislations, resides in Congress, do you?

Mr. LOGAN. Yes; I may be foolish, but I think it does.

The CHAIRMAN. Do you think Congress initiates legislation?

Mr. LOGAN. I see what you mean now. I was viewing both the executive and the legislative branches as a unit.

The CHAIRMAN. I see. That is not a bad mistake.

Senator KENYON. There is something in the record here somewhere about some letter you wrote forecasting the appointment of Mr. Hoover, I think. If there is not, it has been told me, but I think it is in the record.

Mr. LOGAN. Yes, sir.

Senator KENYON. How long was that before Hoover's appointment?

Mr. LOGAN. I think it was about two days; maybe three days.

Senator KENYON. How did you know about Hoover's appointment coming?

Mr. LOGAN. I heard it from Mr. Bennett, of the Washington Post, who told me he thought it was very likely. Incidentally, Senator, the story, if you want to see it in greater detail, you would have found in the Philadelphia Inquirer the next day.

Senator KENYON. The next day after what?

Mr. LOGAN. I think my letter that you refer to was dated one day, and the following day the story was in greater detail in the Philadelphia Inquirer. In other words, if Swift & Co. had been able to buy the Inquirer in Philadelphia, they would have gotten that exclusive information, if it was exclusive.

Senator KENYON. Was it sent out by anyone else but you?

Mr. LOGAN. I think that the report had appeared in some of the newspapers in Washington.

Senator KENYON. You thought it was important enough to advise the packers—

Mr. LOGAN. I think it had been rumored all over town.

Senator FRANCE. You stated that about 4 years ago your activities, so far as the legislative end of the Government was concerned, ceased, and you retired from the press gallery?

Mr. LOGAN. No; not 4 years ago. [After a pause.] Oh, yes; 4 or 5 years ago, my visits to the press gallery, as I gave less attention to newspaper work.

Senator FRANCE. That was after this present administration was well established. Did you take up any special or establish any special relationship with any of the executive departments, so far as the ascertainment of news might be concerned?

Mr. LOGAN. None at all. In fact, I have never done any actual newspaper work at all. I mean I have not the time, and have not been interested in it, have not been attending any of their conferences with secretaries of the different departments. I am not covering newspaper work.

Senator FRANCE. It has generally been supposed that there is a group of men at the other end of the Capitol who have information, inside information, as to what may possibly transpire?

Mr. LOGAN. Yes.

Senator FRANCE. So far as legislation is concerned. Are you acquainted with any of the members of that group?

Mr. LOGAN. I am acquainted with a great many people in Washington. But I find this, I find that corporations are not interested in exclusive information. The only ones who are interested in exclusive information are banking houses, or stock market concerns. They speculate in stocks.

Senator FRANCE. Do you mean to say that corporations are not interested, for instance, in the prices that they are to receive for their products?

Mr. LOGAN. I suppose that they are; yes.

Senator FRANCE. You are aware of the fact that prices have been fixed at the other end of the Capitol?

Mr. LOGAN. Yes; that is true.

Senator FRANCE. So that it is of some moment for the corporations to be quite closely in touch with the departments which fix the prices upon their products?

Mr. LOGAN. I see what you are aiming at.

Senator FRANCE. In other words, the whole trend of my question is this, did you sever your connections with the legislative end in order to establish certain connections with those who had inside information as to what was to be done?

Mr. LOGAN. No, indeed.

Senator FRANCE. Those who might in some way be connected with the executive?

Mr. LOGAN. No. And I can give you, in addition to my negative answer, more positive information by saying that I never concerned myself about price-fixing, because it was not part of my function. I suppose the packers are notified by the proper governmental officials as to what prices they shall receive. I have never been interested in that, nor have I asked to get any information of that kind. I do not consider that in my line of activity.

Senator KENYON. You would write packers at different times, would you not, or write Swift, information about what the Federal Trade Commission was going to do?

Mr. LOGAN. Not information about what they were going to do. I have several times written them as to the tendencies of the Federal Trade Commission, or tendencies as it appears by their own public statements as published in the newspapers.

The CHAIRMAN. Would they not see those things themselves?

Mr. LOGAN. That is exactly what my job is, Senator. I mean I am their eyes as far as that is concerned. I go over trade publications, public announcements, official bulletins, and everything that is published pertaining to the industries I represent. But I am more. You ask me the very question that brings out my function. Would they not see these? That is what I am for, to study these things.

Senator KENYON. Do you mean to tell us that your function is to go over these trade reports, the markets, and things of that kind, to advise the packers about that? Do they not have somebody to do all that?

Mr. LOGAN. I have been doing it, Senator.

Senator KENYON. You have been doing it?

Mr. LOGAN. Absolutely.

Senator KENYON. Do they not have any men in their great establishments at Chicago to go over those things? Do they rely on you to give them a résumé of what is going on in the country?

Mr. LOGAN. They come to me for my advice, based on my knowledge obtained that way.

Senator KENYON. Is it obtained in that way or is it obtained because of your intimacy with departments here?

Mr. LOGAN. I have no intimacy with departments, because I go to none of the departments.

Senator FRANCE. Are you acquainted with any members of the Federal Trade Commission?

Mr. LOGAN. The members of the Federal Trade Commission are, at the present time, Colver, Fort, and Mr. Thompson. I have met Mr. Thompson. I have not met Mr. Colver, and I have not met Mr. Fort.

Senator KENYON. Do not let us camouflage about it.

Mr. LOGAN. Senator, do you think that is a fair statement?

Senator KENYON. No; that is not a fair statement of yours. You were intimately acquainted with members of the Federal Trade Commission when Mr. Hurley was there, were you not?

Mr. LOGAN. Yes; but I was not employed by any corporation when Mr. Hurley was there.

Senator KENYON. You were not?

Mr. LOGAN. No.

Senator KENYON. When Mr. Hurley was on the Federal Trade Commission?

Mr. LOGAN. No; I certainly was not.

Senator KENYON. When did Mr. Hurley go off the Federal Trade Commission?

Mr. LOGAN. I think over two years ago.

Senator KENYON. You were employed three years ago by one of these corporations?

Mr. LOGAN. Yes, but not by Swift. I thought you were referring to Swift.

Senator KENYON. Were you not acquainted with Mr. Davies?

Mr. LOGAN. I was.

Senator KENYON. Did you not write the packers things Mr. Davies had told you about the Federal Trade Commission, and is there not a letter now from you about it?

Mr. LOGAN. There may be.

Senator KENYON. Would you say there is not?

Mr. LOGAN. No, I will not.

Senator KENYON. No, I guess you will not. Then why do you insinuate to the Senator that you do not know members of the Federal Trade Commission?

Mr. LOGAN. Because the Senator is suggesting right now that I am keeping in touch with the Federal Trade Commission, as that is a part of my work.

Senator FRANCE. I am not suggesting; I know nothing about it. I merely am trying to ascertain whether, after you left the legislative end, so far as—

Mr. LOGAN (interrupting). I took up the departmental end?

Senator FRANCE. Yes.

Mr. LOGAN. I did not.

Senator FRANCE. Are you acquainted with any men who occupy important positions in the Fuel Administration?

Mr. LOGAN. No, sir.

Senator FRANCE. Or in the Food Administration?

Mr. LOGAN. I know Mr. Hoover.

Senator FRANCE. Do you know a number of his aids personally?

Mr. LOGAN. No, sir.

Senator FRANCE. Have you talked over questions of administration with Mr. Hoover?

Mr. LOGAN. No, sir. I will make that statement under oath.

Senator FRANCE. In other words, you have not utilized your acquaintanceship with men in the executive departments to supplement the information which you get from the papers? You read the papers and digest the articles?

Mr. LOGAN. That is true; and I think that that is a much better way of doing it. I think you get a much clearer idea, a much better sense of proportion.

Senator KENYON. As long as we have gotten into this, how long have you known Mr. Hurley?

Mr. LOGAN. I have known Mr. Hurley for probably four or five years, and have been a very close friend of his.

Senator KENYON. Did you go abroad with him a few months ago?

Mr. LOGAN. I did, yes.

Senator KENYON. Was he chairman of some commission that went to Pan America from the Chicago Chamber of Commerce?

Mr. LOGAN. Yes, sir.

Senator KENYON. Who was the press agent of that trip, do you know?

Mr. LOGAN. No, sir.

Senator KENYON. Was it Mr. Patchin? Do you know him?

Mr. LOGAN. Yes.

Senator KENYON. You are a close friend of his?

Mr. LOGAN. Yes.

Senator KENYON. His brother is confidential secretary over in the State Department of some of the officers there.

Mr. LOGAN. He was. He was in the counselor's department.

Senator KENYON. What was his position there?

Mr. LOGAN. Secretary to the counselor of the State Department.

Senator KENYON. Mr. Pope?

Mr. LOGAN. Yes.

Senator KENYON. He has another brother a confidential secretary in the State Department, has he not?

Mr. LOGAN. Not a confidential secretary. I think he was head of the Intelligence Department.

Senator KENYON. You were very close friends—a friend to Mr. Burt Patchin?

Mr. LOGAN. I know the family very well, all the Patchins.

Senator KENYON. Mr. Patchin was a very close friend of Mr. Hurley?

Mr. LOGAN. Mr. Philip Patchin?

Senator KENYON. Yes.

Mr. LOGAN. No; Mr. Robert Patchin was, and it was Mr. Robert Patchin who went to South America with him. But I did not know he was in the capacity of a press agent.

Senator KENYON. Did you have anything to do with the book Mr. Hurley wrote on "The Awakening of Business"?

Mr. LOGAN. Nothing at all.

Senator KENYON. Did you not give him any suggestions?

Mr. LOGAN. None at all.

Senator KENYON. You had nothing to do with writing the book?

Mr. LOGAN. No, sir, nothing at all. I read it, though. I think it is an excellent book.

Senator KENYON. It sort of applies the principles of the Ten Commandments to business?

Mr. LOGAN. Yes. I think it was an excellent book on trade conditions.

Senator KENYON. Who was Mr. Ames Brown? Did you know him?

Mr. LOGAN. Yes, sir.

Senator KENYON. Who was he?

Mr. LOGAN. Who was he?

Senator KENYON. Yes.

Mr. LOGAN. He was the correspondent of the Philadelphia Record, and the North American Review; wrote a series of articles for the North American Review, and I think he did other magazine and newspaper work.

Senator KENYON. Was he made a lieutenant in the Army?

Mr. LOGAN. He was.

Senator KENYON. How old a man was he? He was of draft age, was he not?

Mr. LOGAN. Yes, he was.

Senator KENYON. Was he a close friend of Mr. Hurley's?

Mr. LOGAN. No, I would not say he was a close friend of Mr. Hurley's. Mr. Hurley knew him, and shortly after Mr. Hurley became chairman of the Shipping Board he asked Mr. Brown to become secretary of the board. Mr. Brown is a man of remarkable executive and writing ability.

Senator KENYON. And he was placed in the Army and became secretary of the Shipping Board?

Mr. LOGAN. No, he did not.

Senator KENYON. He was secretary of the Shipping Board during the war, was he not?

Mr. LOGAN. No, sir.

Senator KENYON. When did he cease to be?

Mr. LOGAN. He was never secretary of the Shipping Board.

Senator KENYON. What position did he have in the Shipping Board?

Mr. LOGAN. He did not accept the position when it was offered him by Mr. Hurley. Afterwards he was commissioned as an intelligence officer, and assigned to the Intelligence Department as Chief Intelligence Officer of the Shipping Board.

Senator KENYON. Is he not the intelligence officer of the shipping board now?

Mr. LOGAN. Yes, sir.

Senator KENYON. Who was secretary of the Shipping Board; what was his name—Stephen Bourne?

Mr. LOGAN. No, Mr. Sissler. Mr. Bourne was the Secretary of the Emergency Fleet Corporation, over in Philadelphia.

Senator KENYON. Was he a relative of yours?

Mr. LOGAN. No, sir.

Senator KENYON. A close friend?

Mr. LOGAN. Yes, sir.

Senator KENYON. When you were across the sea, do you know anything about any message coming to Mr. Hurley about placing Mr. Brown?

Mr. LOGAN. About what?

Senator KENYON. About placing Mr. Brown in the Shipping Board, in the Intelligence Bureau of the Shipping Board?

Mr. LOGAN. Yes, sir. A cablegram was received asking for Mr. Hurley's approval of Mr. Brown's appointment as division intelligence head.

Senator KENYON. He was about to be retired from the Army then?

Mr. LOGAN. Yes; and they were simply switching the work from a military to a civilian basis.

Senator KENYON. Mr. Hurley got that cablegram while you were there?

Mr. LOGAN. Yes, sir.

Senator KENYON. Did he wire back that Brown must be put in the Intelligence Bureau?

Mr. LOGAN. No, not "must be." He wired back—

Senator KENYON. Urging it?

Mr. LOGAN. No. I think simply appointing him.

Senator KENYON. Do you know whether the balance of the Board had declined in any way to appoint him?

Mr. LOGAN. No, sir; I know nothing about that at all.

Senator KENYON. Did he have any correspondence with Mr. Bainbridge Colby about appointing him?

Mr. LOGAN. No, sir; I do not think so.

Senator KENYON. You did not know anything about that?

Mr. LOGAN. No.

Senator KENYON. Did Mr. Hurley show you the telegram?

Mr. LOGAN. No, sir.

Senator KENYON. Do you know what Brown's salary was in the Shipping Board?

Mr. LOGAN. No, I do not.

Senator KENYON. Have you any connection in any way with the Shipping Board?

Mr. LOGAN. None at all; except that I helped them in any possible way that I could during the war.

Senator KENYON. And through your close acquaintance with Mr. Hurley you get information, I suppose, about the shipping interests of the country?

Mr. LOGAN. I think I have supplied a great deal of information about shipping.

Senator KENYON. To Mr. Hurley?

Mr. LOGAN. Yes, sir.

The CHAIRMAN. Do you have any special facilities for obtaining information about shipping?

Mr. LOGAN. None except by studying shipping conditions; that is all.

Senator KENYON. Do you know whether Mr. Brown assisted in writing this book of Mr. Hurley's?

Mr. LOGAN. I have no personal knowledge, but I am quite confident he did not.

Senator KENYON. That he did not?

Mr. LOGAN. That he did not; I am quite confident.

Senator KENYON. Have you helped Mr. Hurley in preparing speeches that he has delivered around the country?

Mr. LOGAN. No, I have not. I have suggested various things to him.

Senator KENYON. So your relationship with him has been very close and intimate?

Mr. LOGAN. Yes, sir.

Senator KENYON. When did you start abroad with Mr. Hurley?

Mr. LOGAN. On the 16th of November.

Senator KENYON. Was Mr. Hoover, too?

Mr. LOGAN. Yes, sir.

Senator KENYON. You and Mr. Hoover and Mr. Hurley were the party starting abroad?

Mr. LOGAN. That is right.

Senator KENYON. What was your business in going abroad?

Mr. LOGAN. There was prepared under my direction a large volume of data with reference to the size, character, and speed of the various Austrian and German ships. I had prepared for Mr. Hurley all the data with reference to the location of the German and Austrian ships. Also a great deal of data with reference to the size and capacity of the American shipyards. A great deal of the data I had suggested the preparation of myself, because I did not think that they should wait until the last minute to prepare the data that would be used on the other side.

Senator KENYON. Who employed you to do that?

Mr. LOGAN. I merely suggested it myself, out of my friendship for Mr. Hurley.

The CHAIRMAN. Did not Mr. Hurley have in the Shipping Board all the data with relation to our shipyards?

Mr. LOGAN. Yes; but it was not collated, segregated, in the manner I felt would make it usable on the other side.

Senator KENYON. I want to go back to the question of your relations with Mr. Hurley. At the time he left the Federal Trade Commission you gave a large dinner for him at the Willard, did you not?

Mr. LOGAN. I would not be surprised. I think I probably did it. I think I gave him more than one dinner.

Senator KENYON. This large dinner at the Willard. Do you not remember that?

Mr. LOGAN. I think I do. I have a very fair recollection of it.

Senator KENYON. The expense of that dinner was charged up to Swift & Co., was it not?

Mr. LOGAN. It was not.

Senator KENYON. It was not?

Mr. LOGAN. It was not. I have never charged any expenses to Swift & Co.

Senator KENYON. Was it charged in any expense account?

Mr. LOGAN. In no expense account, because I never make any expense accounts, nor charge expenses for anything.

Senator KENYON. Do you have no expense accounts with Swift?

Mr. LOGAN. I have no expense account with Swift, and have never received a dollar from them beyond the salary.

Senator KENYON. And no expense accounts with any of these corporations?

Mr. LOGAN. With none of them; not a dollar's expense account. And I am stating that under oath.

Senator KENYON. You are stating this all under oath.

Mr. LOGAN. Yes, all of it. But I merely call attention to the solemnity with which I say it.

Senator KENYON. You gave several dinners, then, to Mr. Hurley at the Willard?

Mr. LOGAN. Yes, and Mr. Hurley gave me several dinners too.

Senator FRANCE. How long had you known Mr. Hoover before he became food administrator?

Mr. LOGAN. I have not known him at all, and I had only met him once or twice until I found myself on the steamer with him going abroad.

Senator FRANCE. Did you advise him in any way with reference to his selection of his staff?

Mr. LOGAN. No, in no way at all.

Senator FRANCE. Did you have a personal acquaintanceship with the dollar-a-year-men who were in the employ of the beef trust, and who were in the Food Administration Bureau?

Mr. LOGAN. No, I did not know them and never saw them.

Senator FRANCE. You did not know that such men were there?

Mr. LOGAN. Oh, yes, indeed I do.

Senator FRANCE. But you were not acquainted with them at all.

Mr. LOGAN. No. It has been brought out at this hearing repeatedly, and it was in the newspapers repeatedly, that these men were employed.

Senator KENYON. You were not employed at all to get up this data for Mr. Hurley?

Mr. LOGAN. No, I was not employed. I was asked to get it up.

Senator KENYON. Did you receive anything for doing it?

Mr. LOGAN. No.

Senator KENYON. Do you expect to?

Mr. LOGAN. Mr. Hurley on the other side brought up the question of compensation. He said, "You have come over here, and I feel you ought to be paid." I asked him not to, but he said that he thought I should receive some compensation for going to the other side. I have not taken it up since.

Senator KENYON. But you expect to be compensated?

Mr. LOGAN. I would rather not be compensated, because I felt I was doing it for the Government.

Senator KENYON. Did you pay your expenses abroad?

Mr. LOGAN. No, they were paid by the shipping board.

Senator KENYON. What kind of a retinue went with you three gentlemen?

Mr. LOGAN. There was an operating man from the ship-control committee. That is, you are asking now about Mr. Hurley's part?

Senator KENYON. Hurley and Hoover and yourself.

Mr. LOGAN. There were two separate parties. I mean in the sense I can not give you Mr. Hoover's party.

Senator KENYON. You went on the same boat?

Mr. LOGAN. Yes, they went on the same boat. One man in Mr. Hoover's party, for instance, was Mr. Hallowell, and another was—I do not remember the names of Mr. Hoover's party. We kept to ourselves on the boat.

Senator KENYON. Did you have stenographers and clerks?

Mr. LOGAN. Yes. Mr. Hurley had me, Mr. Gibbs of the operating department, his own assistant, and a stenographer, and Mr. Gibbs's secretary.

Senator KENYON. That is all you had?

Mr. LOGAN. That is all.

Senator KENYON. Those were at Government expense, of course?

Mr. LOGAN. Yes, sir; and they are now handling all the shipping data on the other side.

Senator KENYON. How do they get along without you over there?

Mr. LOGAN. I do not know. I think they were regretful that I left. Mr. Hurley asked me to stay, and he was asked to stay.

Senator KENYON. How long were you there?

Mr. LOGAN. The whole trip took about two months.

Senator KENYON. What did these corporations that you represent do in the meantime as to running their business without you?

Mr. LOGAN. That is exactly why I came back, because I felt that I had made sufficient sacrifice in going over.

Senator KENYON. You did not give up any of your salary, did you?

Mr. LOGAN. No; I did not. But I had made sufficient sacrifice. I did not know whether I would find my business here when I came back.

Senator KENYON. You thought it was a sacrifice going abroad at Government expense?

Mr. LOGAN. I did; and I did not want to go. Mr. Hurley urged me to go, and I went at very short notice and was not able to notify all my business associates that I was going.

Senator KENYON. Did you take a single fact over there to Mr. Hurley that he had not himself out of his own office? Did you know more about the shipping business than he did?

Mr. LOGAN. No; indeed, I did not.

Senator KENYON. Just give us one fact that you took over there that Hurley did not have the opportunity to get out of his own office.

Mr. LOGAN. Senator, you might say that also about Mr. Gibbs, who was from the ship-control committee, that there was not a single fact that Mr. Gibbs had that Mr. Hurley could not have gotten in some other way.

Senator KENYON. Just what information did you furnish, Mr. Hurley?

Mr. LOGAN. I have told you that I prepared all the data concerning the Austrian and German fleets.

Senator KENYON. Where did you get that data?

Mr. LOGAN. It was prepared under my direction in the Shipping Board.

Senator KENYON. In Mr. Hurley's own board?

Mr. LOGAN. Yes, indeed.

Senator KENYON. Why could not Mr. Hurley have had it prepared just as well as you?

Mr. LOGAN. He could have had it prepared just as well as I.

Senator KENYON. What other information besides this Austrian-ship matter?

Mr. LOGAN. That is all the information. I did not give him any special information, except the outside data which I thought would be needed on the other side.

Senator KENYON. You got out of the Shipping Board the data about the Austrian ships?

Mr. LOGAN. Yes.

The CHAIRMAN. Was that the naval ships or the merchant marine?

Mr. LOGAN. Some of the information came from the Navy; was obtained by the navy intelligence, naval operations, and some of it from the Fleet Corporation in Philadelphia.

The CHAIRMAN. Did it relate to fighting ships only, or to merchant marine as well?

Mr. LOGAN. Merchant marine and cargo ships.

Senator KENYON. That is all the information you remember furnishing for Mr. Hurley?

Mr. LOGAN. No; there was a body of other information.

Senator KENYON. What?

Mr. LOGAN. The size and location of all the ships which we had built, the size of the yards, the capacity of the yards.

Senator KENYON. Did he not have any report on that?

Mr. LOGAN. There were many reports on that, but not as specific as were needed for the other side, and not prepared in precisely the same way, the way in which it was required.

Senator KENYON. What else did you get for him?

Mr. LOGAN. I think that is about all, Senator.

Senator KENYON. You got all of that out of the Shipping Board that Mr. Hurley was on?

Mr. LOGAN. Yes, and prepared under my direction.

Senator KENYON. You did not do any of the actual work, yourself, did you? You had clerks do it?

Mr. LOGAN. Yes.

Senator KENYON. You did not get into the records and get these things out, did you?

Mr. LOGAN. No. But, for instance, I took over a pile of documents that were that high, and they were properly prepared for easy reference, and when any of these questions came up in conferences, they were properly listed so that any moment any question came up you would know exactly where to find that information.

Senator KENYON. Did you do that thing, or did some clerk do it?

Mr. LOGAN. I did it.

Senator KENYON. That was all you did, was it not?

Mr. LOGAN. That is about all.

Senator KENYON. All you did?

Mr. LOGAN. Yes, sir.

Senator KENYON. Could not any clerk have done that?

Mr. LOGAN. Yes; I suppose so. But I do not know about that. Senator, I do not think that question is altogether in good faith.

Senator KENYON. You do not?

Mr. LOGAN. No. I rendered considerable service to the Shipping Board.

Senator KENYON. I want to know what. The taxpayers are interested in knowing what services were rendered by some gentleman who went across the seas.

Mr. LOGAN. Are you interested in the service that was rendered on the other side?

Senator KENYON. I am getting first the information. You have given that?

Mr. LOGAN. Yes.

Senator KENYON. And that is all you did before you went?

Mr. LOGAN. Yes.

Senator KENYON. And that could have been done by a \$20 a week clerk, could it not?

Mr. LOGAN. I don't think so. I think it requires a man with brains to do it.

Senator KENYON. Do you not think \$20 a week clerks have brains?

Mr. LOGAN. Yes; I do. But you know what I mean, Senator. You understand me perfectly well, that it requires some executive ability.

Senator KENYON. Executive ability?

Mr. LOGAN. Yes.

Senator KENYON. I can not understand why Mr. Hurley could not have given the order to prepare these things instead of you giving the order. You seem to have stepped right into the place of Mr. Hurley. Is not that the fact, and you did that just because of your friendship for Mr. Hurley?

Mr. LOGAN. No. Mr. Hurley was in charge of the matter, and Mr. Hurley, for instance, outlined with me the scope of the matters that we felt would come up on the other side, and incidentally it was a logical development, because I had been helping the Shipping Board ever since Mr. Hurley came.

Senator KENYON. You have been in close connection with the Shipping Board and what they were doing?

Mr. LOGAN. Yes, sir.

Senator FRANCE. Did you know about the movement of ships?

Mr. LOGAN. Yes.

Senator FRANCE. And the shipping facilities?

Mr. LOGAN. We had a shipping board man to handle that particular part.

Senator FRANCE. Did you furnish to your clients any information with reference to facilities for shipping?

Mr. LOGAN. None at all.

Senator FRANCE. Did you show to them any special advantages?

Mr. LOGAN. No.

Senator FRANCE. Or help them to get cargo placed safe directly or indirectly?

Mr. LOGAN. No. Nor did they ever ask me to.

The CHAIRMAN. You said "We had a ship operator."

Mr. LOGAN. I mean the shipping group that went abroad included a ship operating man.

Senator KENYON. Had you learned, before you went abroad of any trouble about Britain not keeping on buying our pork products?

Mr. LOGAN. No; I had not.

Senator KENYON. Or any meeting with Mr. Hoover along in October of the packers?

Mr. LOGAN. No, sir.

Senator KENYON. There was one of the packers here yesterday who testified about some meeting in October of packers here at Washington and Mr. Hoover. Would you not get that information and send it on to Mr. Swift in your bureau here in some way?

Mr. LOGAN. Not necessarily, no sir. The terms of employment with Mr. Swift and Mr. Veeder provide for them seeking me in Washington. I am under no obligations to cover Washington for them. As I told them myself, the job of covering Washington is done expertly by all the newspapers of the country, and they can read it in the newspapers the next day.

The CHAIRMAN. You just advised them about dreadful bills?

Mr. LOGAN. No; I do not, Senator. I just cite that as an illustration of common sense in determining the probability of a bill going through.

The CHAIRMAN. Of course, when you stated that once that probably would serve for the entire Democratic Congress?

Mr. LOGAN. For this particular Congress it might.

The CHAIRMAN. And for the six years that the Democrats have been in?

Mr. LOGAN. Yes.

The CHAIRMAN. That is a thing that would rather suggest itself to a man anyway, without being advised by experts?

Mr. LOGAN. Yes; possibly.

Senator KENYON. Did Mr. Hurley know of your employment by the packers and all these other corporations?

Mr. LOGAN. I think he knew I was the adviser of the corporations, although I never discussed it with him.

Senator KENYON. Was that discussed on the boat between you and Mr. Hurley and Mr. Hoover?

Mr. LOGAN. No, sir.

Senator KENYON. You had nothing to do with the Hoover party at all?

Mr. LOGAN. I had not; no, sir.

Senator KENYON. You were in close touch with that, however, on the boat?

Mr. LOGAN. I met Mr. Hoover several times on the boat.

Senator KENYON. Mr. Hoover and Mr. Hurley were very good friends, were they not?

Mr. LOGAN. Yes, sir; they seemed to be.

Senator KENYON. You did not go on the George Washington, did you?

Mr. LOGAN. No, sir; we went on the *Olympic*.

Senator KENYON. You went before the President went?

Mr. LOGAN. Yes, sir.

Senator KENYON. When did you get across seas?

Mr. LOGAN. I think it was a seven-day boat, and we left on the 16th and got there about the 23d.

The CHAIRMAN. You and Hoover and Hurley were a sort of John the Baptist expedition, warning them that a greater was to come?

Mr. LOGAN. Paul Revere.

Senator KENYON. That is a biblical illustration.

Mr. LOGAN. Yes, I know; but I thought that Paul Revere would be a better analogy.

Senator FRANCE. You evidently do not read the Bible.

Mr. LOGAN. Yes, I do occasionally.

Senator KENYON. When you got over there, did you sit in at some of the conferences?

Mr. LOGAN. I sat in at all the conferences.

Senator KENYON. Were those conferences of the shipping commission or the food commission, or what?

Mr. LOGAN. The shipping commission. Several conferences Mr. Hoover attended. I mean several of the conferences that we attended Mr. Hoover also attended.

Senator FRANCE. What were the subject matters discussed at those joint conferences?

Mr. LOGAN. I think the first subject was discussed with Lord Reading and others with reference to the formation of an organization for food relief in Europe.

Senator KENYON. You sat in on that conference?

Mr. LOGAN. Yes, sir.

Senator KENYON. That had not anything to do with the shipping, had it?

Mr. LOGAN. Yes, it had; because anything—

Senator KENYON. In getting the food over?

Mr. LOGAN. Yes.

Senator KENYON. So that you and Mr. Hoover and Mr. Hurley sat in that conference with Lord Reading?

Mr. LOGAN. Lord Reading; and we had a number of conferences, small conferences.

The CHAIRMAN. On this food business?

Mr. LOGAN. Yes. And then there was a large conference in which Lord Reading, Mr. Salter, of the British ship ministry, and the Italian and the French representatives participated.

Senator KENYON. I suppose you discussed the situation at those meetings?

Mr. LOGAN. Yes.

Senator KENYON. You did personally, did you not?

Mr. LOGAN. Yes, sir.

Senator KENYON. You had a more accurate knowledge of some of them as to the situation in this country?

Mr. LOGAN. I think so.

Senator KENYON. Were you the chief spokesman for our commissioners?

Mr. LOGAN. No, sir; Mr. Hurley was; and Mr. Hoover, of course, in his own department.

Senator KENYON. At those conferences the question of supplies in America that were in the packing houses was discussed, was it not?

Mr. LOGAN. Never. The whole question was as to the form of the organization. There was some concern on the part of Great Britain, France, and Italy as to the form this organization should take. They suggested, for instance, that if Mr. Hoover were the food director in Europe and there were not an interallied council back of him, the former enemy countries, the enemy countries, and the liberated countries might feel that the countries of Europe were holding aloof in food relief, while America was stepping in and doing all of it; and they pointed out that they had to live beside Germany the rest of their lives and they did not want to be put in that position.

Senator KENYON. Were there any French Commissioners at these conferences?

Mr. LOGAN. Yes, sir. Sometimes M. Clementol, who was the Secretary of Commerce and Transportation of the French Cabinet, was present. Other times M. Monet.

Senator FRANCE. Was there any discussion at those conferences as to the amount of money which might be made available for the purchase of supplies for the purposes of relief?

Mr. LOGAN. Yes, there was some discussion.

Senator FRANCE. And was there any discussion as to the allotment of those funds and the purchase from various countries of supplies?

Mr. LOGAN. Yes; Great Britain or her representatives, expressed surprise that our law provided that we could only lend money to countries actually at war with Germany and Austria.

Senator FRANCE. About what time was that?

Mr. LOGAN. This was the latter part of November. Then later on we attended conferences in Paris over the Austrian tonnage, the seizure of the Austrian tonnage by the Italians.

Senator KENYON. Were there questions of the starvation of Europe discussed at those meetings, the shortness of food?

Mr. LOGAN. Yes.

Senator KENYON. And the surplus in America?

Mr. LOGAN. They did not refer to the surplus in America so much as they did the heavy part of the program that the United States must bear. But they naturally feel that they are doing a great deal of it themselves—England and France and Italy.

Senator KENYON. But the provisions had to come from America.

Mr. LOGAN. Yes.

Senator KENYON. That was conceded?

Mr. LOGAN. That was conceded.

Senator KENYON. That is why the Shipping Board were interested?

Mr. LOGAN. Yes.

Senator FRANCE. And the question as to the probable quantities which would be needed?

Mr. LOGAN. Yes; and also the question in which we were chiefly interested, was the manner in which the shipping should be controlled. The British plan was to continue these interallied councils, and Mr. Hurley was very much opposed to surrendering any of the control of our fleet to foreign nations.

Senator FRANCE. Would it not have been of some material interest to your clients to know what funds would be available for the purchase by the Government of supplies for purposes of relief and how those funds were to be allotted?

Mr. LOGAN. It might be, Senator.

Senator FRANCE. Could it not have been of great advantage to them, possibly, to know in advance as to this market which was to be created?

Mr. LOGAN. It might be. But I think this answers your question; I did not notify them that I was going abroad and did not advise them of any single development on the other side since I returned.

Senator FRANCE. Of course, your testimony has brought out this fact, which, while it does not controvert what you said before, still is not entirely consistent with it, that you have a very intimate acquaintance with certain of the executive departments.

Mr. LOGAN. That is true. But, Senator—

Senator FRANCE. Yet, in spite of that intimate acquaintance with certain departments, you still confine yourself to reading from newspapers and furnishing them that information, such as is contained only in the newspapers, much of which we know is utterly unreliable.

Mr. LOGAN. The information in the newspapers?

Senator FRANCE. Yes; that it is utterly unreliable.

Mr. LOGAN. I think that is incorrect, because I think if you will read the newspapers intelligently, and read enough of them, and compare them, you will get all the truth.

Senator KENYON. The Philadelphia Inquirer?

Mr. LOGAN. The Philadelphia Inquirer is a very good paper—very carefully edited.

Senator FRANCE. That does not necessarily mean that every article is untruthful, but all of the truth is not told. There is inside information which is not given out, and that is my point. You still, although you had this intimate acquaintance with the executive department, confine all of your services to the digestion of news as it appeared in the newspapers?

Mr. LOGAN. Senator, I confess very frankly that I do not know of any information that would be of particular value as advance information, especially. I think the newspapers cover the field admirably, and I think the Congressional Record gives everything you want to know about Congress. I do not think Congressmen can conceal their thoughts. I think they do business in the open.

Senator FRANCE. Perhaps you are not a business man, but certainly markets are created by the demand, and prices are fixed by the demand.

Mr. LOGAN. Yes, but the best way to feel out a market is to do it through your own agents—your own selling agents.

Senator FRANCE. No; let me finish what I was stating. Suppose you in Europe received inside information that \$400,000,000—not an inconsiderable sum—was to be used in the purchase of certain lines of supplies from America. That information, of course, would be a tremendous bull argument, so far as the prices of those supplies might be concerned. In an ordinary market the inside information that \$400,000,000 were to be used in the purchase of supplies would bull the market. It not that true?

Mr. LOGAN. I suppose so, Senator. But the answer to it is that I did not say so, and sent no information about that nor any other subject.

Senator FRANCE. That is an answer. That is sufficient answer.

Senator KENYON. How many of these conferences, in a rough way, did you sit in at?

Mr. LOGAN. There were only three or four large conferences; but there were many small conferences. I mean seeing individuals, and that sort of thing.

Senator KENYON. The small conferences were composed of yourself, Hurley, and Hoover?

Mr. LOGAN. No. At times Hoover conversed with us quite frequently. But it was mainly about our objection to having anything in the plan which would yield American control of shipping to any interallied body. I think that is a stand that Congress and the President and everybody else favored.

Senator KENYON. Can you not just tell us—I do not want to keep pressing on it—in numbers about how many of those conferences there were across the sea that you, Hurley and Hoover engaged in?

Mr. LOGAN. We were living in the same hotel, and I think on an average there were conferences two or three times a week. Is that sufficiently definite?

Senator KENYON. For how many weeks?

Mr. LOGAN. We were in London when we first arrived for about four days before we went to Paris. During that time we probably saw Mr. Hoover three times. He went over to Paris a little earlier than we did, one day earlier. Over in London we probably saw him four times. Then we had to go back to London for further conferences.

Senator KENYON. How many of these large conferences took place?

Mr. LOGAN. There was one in Lord Reading's office, in which the British and ourselves were represented alone. There was another at which the French and Italian and British were represented. That was in London. There was another very large conference over the Austrian tonnage, and the manner in which it should be requisitioned in Paris, which ran for two days. There was another conference at Tour over tonnage requirements for the Army, which lasted one day.

Senator KENYON. And during all these times was there no discussion on any surplus pork or meat products in the United States to supply those people over there?

Mr. LOGAN. I do not believe I had heard any such discussion, Senator, except food generally. I never heard Hoover specify anything about pork or food.

Senator KENYON. You did not say anything about it yourself?

Mr. LOGAN. I never said a word about it.

Senator KENYON. The question of stabilizing prices was not discussed?

Mr. LOGAN. I never discussed that, but it was a mere accident I did not. I mean there would have been no reason I could see for not discussing it.

Senator KENYON. It would be very strange if they were not discussed in all these conferences.

Mr. LOGAN. I never discussed the actual work of Mr. Hoover. The only interest I had was the interest for which Mr. Hurley brought me there, the shipping interest.

Senator KENYON. Did you have any connection of any kind with that American International Corporation?

Mr. LOGAN. No.

Senator KENYON. You know what that was, do you not?

Mr. LOGAN. Yes, sir. That is the organization that built Hog Island.

Senator KENYON. Conducted by the Shipping Board. The Corporation was formed by the Shipping Board?

Mr. LOGAN. No, it was formed by a group of financiers.

Senator KENYON. Mr. Hurley was one of them?

Mr. LOGAN. I did not know that he was.

Senator KENYON. I am asking you if he was not.

Mr. LOGAN. I do not know that. But there was a group of financiers.

Senator KENYON. Do you not know who they were?

Mr. LOGAN. No. I do not. There were a number of large financial interests in New York in that company. But I do not know who the directors were.

Senator KENYON. Did Mr. Hurley have anything to do with that company?

Mr. LOGAN. You mean as a director, or stockholder?

Senator KENYON. Yes.

Mr. LOGAN. No, I do not think so.

Senator KENYON. Did he have anything to do with the management of it?

Mr. LOGAN. The private management of it?

Senator KENYON. Yes.

Mr. LOGAN. No, sir.

Senator KENYON. Supervision in any way as a member of the Shipping Board?

Mr. LOGAN. Yes.

Senator KENYON. I am asking for information.

Mr. LOGAN. The American International Corporation was the agent for the Shipping Board in the construction of Hog Island, and ultimately in the building of ships.

Senator KENYON. And this man Brown, you say, Hurley telegraphed or cabled to when he was over there, was the intelligence man of the Shipping Board, or of the International Corporation, which?

Mr. LOGAN. Of the Shipping Board.

Senator KENYON. Did you yourself have anything to do with this American International Corporation?

Mr. LOGAN. No, sir.

Senator KENYON. Mr. Hurley, of course, was very familiar with it?

Mr. LOGAN. Yes. But, of course, you understand, Senator, that the contract to the International Corporation was given before Mr. Hurley came in there. I mean, as I understand, the details of the contract were all initiated and everything else before Mr. Hurley knew anything about it, the site was selected, and everything else.

Senator KENYON. I do not know about that. I presume that is so. That is not important at all. You represented the Standard Oil Co.—a number of these Standard Oil companies?

Mr. LOGAN. Yes, sir.

Senator KENYON. The Standard Oil Co. was a good deal interested in the Shipping Board's policy, was it not, because of the future mechanism of ships, the burning of oil?

Mr. LOGAN. I should think ultimately they would be, Senator.

Senator KENYON. Was there not considerable of a propaganda to put oil burning machinery in shape?

Mr. LOGAN. No, no propaganda. I think the experts of the Shipping Board believed that money could be saved by oil-burning ships instead of coal-burning ships.

Senator KENYON. Who would determine that question?

Mr. LOGAN. I do not believe it ever has been determined.

Senator KENYON. It would be determined by the Shipping Board?

Mr. LOGAN. Yes.

Senator KENYON. And that would be very beneficial to the Standard Oil Co. if that would be done?

Mr. LOGAN. I do not know that it would. I think they have an ample market for their oil, and certainly they have never discussed the matter with me, and I think, really, Senator, that is all you want to know. I mean, that is what you are really trying to find out.

Senator KENYON. Exactly.

Senator FRANCE. Of course, you are aware of the fact, to correct that answer, that while the market for oil has been very good recently, there have been times when companies have been very much embarrassed because of the surplus of oil?

Mr. LOGAN. Yes, I think that is true.

Senator FRANCE. So that it is of very great interest to the company?

Mr. LOGAN. Yes, I think ultimately it will be.

The CHAIRMAN. The market is off a great deal. Gasoline is down 4 cents in the mid-continent field.

Senator KENYON. Did you ever talk with Mr. Hurley about an article in the Saturday Evening Post on this subject?

Mr. LOGAN. On what subject?

Senator KENYON. On the subject of oil-burning ships?

Mr. LOGAN. No, I did not.

Senator KENYON. Did you ever see that article, "When coal oil Johnny goes to sea," signed by Mr. Hurley?

Mr. LOGAN. I have never seen it.

Senator KENYON. Would it not be a very good thing, to advantage of the Standard Oil Co., which you represented down here, if a propaganda for oil-burning machinery and oil burning in the ships could be brought about?

Mr. LOGAN. I suppose it would.

Senator KENYON. And Mr. Hurley would be the man who would determine that question?

Mr. LOGAN. The whole Shipping Board would determine it; but, rather, they would determine it through their own experts.

Senator KENYON. And you, a close friend of Mr. Hurley, consulting him about important shipping matters—

Mr. LOGAN. Yes.

Senator KENYON. And being paid by the Standard Oil Co. to be here—would naturally leave an opportunity to assist the Standard Oil Co. in helping to bring that about would you not? I do not say you did, but you would have a chance by reason of this bureau you had here?

Mr. LOGAN. Yes. But, Senator—

Senator KENYON. And is not that the kind of work your bureau was doing?

Mr. LOGAN. No, sir, it was not. Senator, I might even say this, that any friend of yours—if I had a friend of yours up for cross-examination, I could say apparently the same thing to him.

Senator KENYON. No, you could not.

Mr. LOGAN. Does not your friendship with Senator Kenyon enable you to get favors out of him?

Senator KENYON. I think he would tell you pretty quickly.

Mr. LOGAN. That it does not.

Senator KENYON. Yes.

Mr. LOGAN. That is exactly it, Senator.

Senator KENYON. But I am not connected with any of these concerns, as you are.

Mr. LOGAN. No; but probably you as a lawyer have known a great many men who were, have you not?

Senator KENYON. Yes.

Mr. LOGAN. And when you were in the Department of Justice did you not know a great many men?

Senator KENYON. Yes, sir.

Mr. LOGAN. Did you not have some of them as your close personal friends?

Senator KENYON. I do not think I had the hilarious friendship of any of these people you refer to.

Mr. LOGAN. I imagine you had some friendships that were very dear to you, and that you did not betray your public office.

Senator KENYON. That is your situation as to Mr. Hurley?

Mr. LOGAN. There has never been any occasion for Mr. Hurley to betray anything.

Senator KENYON. I am not saying there was. But you had that kind of a close acquaintance with Mr. Hurley, did you not?

Mr. LOGAN. I am a very warm friend of Mr. Hurley's.

Senator KENYON. Such a warm friend that he took you across the ocean at Government expense, to furnish him some facts.

Mr. LOGAN. To do some real work over there. If you would like an example of it, I will give it to you, as an example of the real work.

Senator KENYON. I would like to know.

Mr. LOGAN. Just as a mere incident to my work over there, the Army had been trying for some time to obtain the release of a hospital ship called *La France*. *La France* had been in the service of the American Army, taking wounded soldiers back to the United States. *La France* came into Brest, where arrangement had been made to place 3,500 of our wounded soldiers on board, and the captain told the Army officers that he could not take any more wounded soldiers back to the United States because he had received word from his superiors that that ship was to go into the prisoner service, running prisoners from Germany to France. The Army had 3,500 of our men lying at Brest under tents, in a very bad place. They were brought down there thinking they would only be there 12, or at the most, 24 hours, until the ship arrived. Army officers worked in Paris for five or six days trying to get that ship released back to the United States so that these men could be moved. They had gone from department to department, and were unable to make any headway. One department would refer them to another, until finally they were told to go to the Chamber of Deputies, where questions were being asked why those prisoners were not being returned. I suppose it was that that was causing this transfer from department to department. They finally came to Mr. Hurley, and Mr. Hurley had some important work to be done that day, and he turned this over to me. In 24 hours I brought about the release of *La France* to the United States.

Senator KENYON. That was a good piece of work.

Mr. LOGAN. I think it was, too. But in view of the fact that our men were dying there, I felt completely justified in my trip. It was the thing I got the most satisfaction out of.

Senator GRONNA. Did Mr. Hoover know your relations with these corporations?

Mr. LOGAN. I do not know. I do not believe he did. I don't know.

Senator GRONNA. At these conferences which you have told us about matters of detail were not discussed, but simply a general policy?

Mr. LOGAN. That is correct, Senator.

Senator GRONNA. Did you take up the question of what governments should be given relief? Was that discussed in that conference, any particular government?

Mr. LOGAN. Yes; it was touched upon.

Senator GRONNA. Will you tell the committee about that?

Mr. LOGAN. I am doubtful, frankly—and I hope you will advise me in the matter—as to whether this could possibly do any harm or

not. I mean whether it is a delicate question to refer to the attitude of different nations in Europe while these peace negotiations are on.

Senator GRONNA. I do not think that anybody in connection with the Food Administration would have the authority to carry on negotiations that ought to be kept a secret. I certainly do not. I do not think any Senator of the United States has the authority, and I do not think you, as a member of that delegation—

Mr. LOGAN. I was merely asking for advice, Senator. I have no hesitancy in telling.

Senator GRONNA. I am only a farmer, and farmers, as a rule, are pretty sound on the Constitution, and it is my judgment, and I want to know about it if you can tell us.

Mr. LOGAN. I think the questions and that concerned them most was the position of such new nations as the Jugo-Slav. Italy, for instance, is very jealous of any aid furnished to these Jugo-Slavs. She feels that if that aid is furnished, it ought to be furnished through Italy.

Senator GRONNA. Was the question whether we should furnish anything to the enemy countries discussed?

Mr. LOGAN. Yes; that was discussed, and the understanding among all the nations at these various conferences was that aid could be furnished, that the blockade should be gradually relaxed, and that Germany should pay cash for whatever she got.

Senator GRONNA. And these allied nations should furnish food to her?

Mr. LOGAN. Yes.

Senator KENYON. Furnish food to Germany?

Senator GRONNA. Yes. That was no secret. It was discussed in the Senate yesterday, and I think it is exceedingly important to the committee to know the attitude of Mr. Hoover and Mr. Hurley in that respect. It would be helpful to me, I know, as a member of not only this committee, but a Member, although a humble one, of the Senate, to know what the attitude of Mr. Hoover especially was regarding the matter of furnishing food or not furnishing food to the enemy countries.

Mr. LOGAN. Every suggestion that I heard on the other side was that ultimately food must be furnished to the enemy countries on the payment of cash. But considerable concern and uncertainty was shown as to the manner in which that food should be let in; I mean it is going to be of tremendous advantage to any government in Germany or in Austria that is able to distribute that food.

Senator GRONNA. Very naturally so; but that is the attitude of all the nations?

Mr. LOGAN. It seemed to be the attitude of all of them, and there seemed to be no question but that ultimately they would have to send food in.

The CHAIRMAN. Did you hear any discussion of the large accumulation of salt meats in England that was not desired for local consumption there?

Mr. LOGAN. No sir, I did not.

Senator KENYON. I meant to ask you about the names of your staff here. I neglected that as we went along.

Mr. LOGAN. The head of my office, my newspaper office, who does nothing else but run that office, is Edward C. Easton. The man next

to him is Mr. Bassett Blackley. The man next to him is Thomas Luckett, and Paul Saunders.

Senator KENYON. You have said, in reply to Senator France's questions, that you had no intimate particular friendships with members of departments here.

Mr. LOGAN. No, I do not think I said that. I said I did not cultivate the departments. That is what I meant to say.

Senator FRANCE. I think that all those general facts have been brought out by the testimony.

Mr. LOGAN. I think I said very plainly that I knew a great many people in Washington.

Senator KENYON. You were an intimate friend, you say of Mr. Hurley?

Mr. LOGAN. Yes,

Senator KENYON. A very intimate friend of Mr. Tumulty too, were you not?

Mr. LOGAN. Yes. And of a great many other people—Republicans and Democrats. I am a Republican myself.

Senator KENYON. I am not criticising. This question is not critical. I am asking you. But you have given a series of dinners here rather extensively, have you not? That is, you have been what is known as a pretty royal entertainer?

Mr. LOGAN. No, sir, I would not say that.

Senator KENYON. You have entertained more or less officialdom here, have you not?

Mr. LOGAN. We have given some dinners, and we have gone to the theater, Senator. I imagine you have done the same thing yourself.

Senator KENYON. I do not have time. I would like to go once in a while.

Mr. LOGAN. I myself, I might say, if it is a personal matter, usually manage to get to bed pretty early at least three times a week, sometimes as early as 9 o'clock.

Senator KENYON. Have you not made rather a practice of giving dinners to officials of the Government?

Mr. LOGAN. No, I have not.

Senator KENYON. Have you ever given dinners at which you had purchasing agents of the Army and Navy present?

Mr. LOGAN. Purchasing agents?

Senator KENYON. Yes.

Mr. LOGAN. I do not know them.

Senator KENYON. You do not know who they are?

Mr. LOGAN. No. And I may say I have never had any purchasing agent for the Army or the Navy or any other department at any dinner. So far as I know, I know no purchasing agent of any department in Washington.

Senator KENYON. You make your Washington home where?

Mr. LOGAN. At the Willard, and I have since I have married.

Senator PAGE. I judge you have tried to reach a pretty good general consensus of what was going on around the Willard and around Congress?

Mr. LOGAN. No. I do not stay around the Willard very much.

Senator KENYON. How large a suite do you maintain at the Willard, if that is a fair question?

Mr. LOGAN. I would be very glad to have you come down and visit me any my wife any time you can spare the time, and I will show you a very delightful apartment.

Senator KENYON. You have a very extensive suite there, have you not—five or six rooms?

Mr. LOGAN. We have four rooms.

Senator KENYON. I am not critical. I am glad you can live as you do.

Mr. LOGAN. So am I. And it does away with the servant problem, which Mrs. Logan tells me is very desirable. I might say that Mrs. Logan before she married me lived much better than she does now.

Senator KENYON. Mr. Chairman, I am not quite through with Mr. Logan, but it is nearly 12 o'clock.

Mr. LOGAN. Can we not go on so that I can get away?

Senator KENYON. Can you not be here to-morrow?

Mr. LOGAN. I was thinking of going to New York. I wish you could finish me up, Senator.

Senator KENYON. I am compelled to go to the Senate at 12 o'clock, and I will not be able to finish with the witness. I dislike to keep him over, but I think we will have to ask him to come to-morrow for a little while.

Mr. LOGAN. Your wish is my law.

Senator KENYON. We should have used you before, perhaps.

Mr. LOGAN. It makes it necessary for me to postpone my engagement in New York. I was going to New York to-night. Incidentally that is the way I do most of my business. I spend most of my time out of Washington, not in town, Senator.

Senator KENYON. Of course, I do not like to discommode the witness. There may be other members of the committee who have questions to ask him.

Senator FRANCE. Mr. Chairman, we have a very important matter up in the Senate, and I feel obliged to leave.

The CHAIRMAN. There is a gentleman here from Kansas City who is very anxious to leave to-night.

Senator KENYON. Then we will excuse Mr. Logan and take up his examination again at such time as may be convenient in the morning.

Mr. LOGAN. About 10 o'clock?

The CHAIRMAN. Yes. You be here at 10 o'clock. I am sorry we could not finish to-day.

Mr. LOGAN. Before you go, Senator Kenyon, do you not think that the questions you have been directing to me might be directed toward a business man or manufacturer, or any man engaged in his own business who came down here to aid in the prosecution of the war?

Senator KENYON. I do not think I want to discuss the ethics of it.

Mr. LOGAN. You were, I think, rather critical of dollar-a-year men.

Senator KENYON. Some of them. Some of them are great patriots; some are not.

Mr. LOGAN. Do you not think the evil lies in the advising of the issuance of contracts in which you have an interest yourself?

Senator KENYON. Yes. This committee passed an amendment to one of the bills preventing that. It all depends on the man.

Mr. LOGAN. That is what I think.

(The witness was thereupon excused.)

STATEMENT OF MR. P. W. GEOBEL, OF KANSAS CITY, KANS.

Senator THOMPSON. Mr. Geobel, perhaps you had better state your business, whom you represent, or whom you appear for, and how you are connected, in a general way.

Mr. GEOBEL. Mr. Chairman and Senators, I am in the banking business in Kansas City, Kans. I am a director and stockholder in the Kansas City Stock Yards Co.

Senator THOMPSON. That is Kansas City, Kans.?

Mr. GEOBEL. Part of it is Kansas City, Kans., and part of it in Kansas City, Mo. I desire to make a statement to this honorable committee in regard to service rendered by the Kansas City stockyards before and since it was largely owned by the Morris family. I have handled a great deal of livestock in the last 30 years, and have been a shipper to the Kansas City stockyards. I have also loaned money on cattle in the southwest for the last 35 years quite extensively for a small man, and in that way have come in touch with the producers of livestock. The service before the Morris interests became large stockholders was not as deficient as it has been since.

The CHAIRMAN. Were the packing plants as efficient as they are now?

Mr. GEOBEL. The packing plants have always been quite efficient, Senator. Of course, efficiency is an evolution. Perhaps they are more efficient to-day than they ever have been before, because they have been called on to do things during this war that none of us would have thought would have been possible of accomplishment.

The great trouble with the Kansas City stockyards previous to this time was that about one-half of the railroads entering those stockyards would unload their cattle and hogs quite a ways from the sale pens, costing quite a long drive of the stock, from a quarter to half a mile. It was a great inconvenience, caused considerable shrinkage, and in winter when it was icy, especially in driving hogs, would cause a great many trips. When I was invited to go on the board, 5 years ago, I made a statement that I would go on the board only with an understanding that these drawbacks to the yards would be eliminated, and at the first meeting of the board of directors, after the reorganization of the company, a plan was outlined to connect the north and south yards by a railroad so that these cars of stock would be switched. It was necessary to tunnel under the tracks of two railroads, and we naturally met opposition from those roads. It took us two years before we finally were accorded the right by the courts and utility commissions of Kansas City, Mo., to tunnel under those two railroads and get facilities to unload all the stock that arrived in Kansas City as near the sale pens as possible. We have just completed those improvement.

The old hog house was rather dilapidated, and we have been constructing a new concrete hog house, with four floors, which, when completed, which will be in a few months, will have a capacity on the sale floor of 35,000 hogs per day, with six scales connected with it, and so located that the stock can be weighed in the very shortest time, without having to leave them in the alley, and have a continual shrinkage. The point I want to make is this, that while previous to five years ago no packer had any interest, that is, controlling interest,

in the stock of the Kansas City Stockyards Co., the fact that the Morris people acquired a large interest in the stock of that company has made for a betterment of the service of that yard in every way. On account of the drought this fall we had enormous runs of stock in Kansas City.

It perhaps might be of some interest to some members of the committee to tell you that during September we handled 476,000 cattle and calves alone. Of course, there was some complaint about not having enough hands to handle this enormous amount of cattle as expeditiously as the shipper would have desired. But on account of the war conditions, the scarcity of help, it was impossible to get any more hands than we did get. In fact, we paid any kind of price in order to get help, and the stuff was handled without any serious delay. Of course, the railroads were handicapped on account of the enormous traffic, and so was every interest connected with the live-stock industry at Kansas City handicapped.

In regard to the packers owning an interest in stockyards, I just want to draw the attention of your honorable committee to these facts: Stockyards must either be owned by the railroads, by the producers of live stock, or the packers, or the buyers of live stock, because they are not all packers—or by people who have no interest in any of these activities. Railroad management of stockyards has proven entirely unsatisfactory.

The CHAIRMAN. Where?

Mr. GEOBEL. Wherever it has been tried. It was tried at Omaha for a while.

The CHAIRMAN. It was unsatisfactory at Omaha?

Mr. GEOBEL. Yes; and at St. Paul, I think, for a while.

The CHAIRMAN. Was it unsatisfactory there?

Mr. GEOBEL. Yes.

The CHAIRMAN. Did you do business there?

Mr. GEOBEL. No. The very nature of the railroad service would be such that they would have to be owned jointly by the railroads that deliver stock to these yards, and each would perhaps be anxious to get in first, and the other roads would be left out. As it is, the stockyards own the terminal facilities, and have their own switching crews, until the Government took them over, and it is naturally to their interest to get the stock unloaded as early as possible.

The CHAIRMAN. Would that not be the interest of anybody who owned the stockyards?

Mr. GEOBEL. I am coming to that, Senator, if you will just indulge me a minute.

The CHAIRMAN. Very well.

Mr. GEOBEL. It would be an ideal proposition if the raisers of live stock could have a controlling interest in the stockyards with the buyers. But the producers of live stock are so scattered that it is impossible to get them together to take enough stock in the stockyards to have any real interest in it. The buyers of live stock are also interested in keeping up the yards and giving better facilities, looking to the expedition of the business more than dividends, while any one connected with neither of these industries would naturally only be looking for the dividends. The Kansas City stockyards were owned by individuals before 1913, and the management did not keep up with the demands of the market in improvements. Just to show

you, for five years previous to the acquisition by the Morris people of a considerable interest in the yards, the average expenditures for improvements were \$50,000.

The CHAIRMAN, A year?

Mr. GEOBEL. A year. Since then it has been \$300,000 a year. For the first two years after the change we paid no dividends on the common stock at all, and the last three years we have paid 5 per cent on the common stock and 5 per cent on the preferred stock.

Senator THOMPSON. Were any dividends paid on the common stock before the packers got it?

Mr. GEOBEL. Yes, that is my understanding. I did not own any stock at that time, and that is only a general impression that I have. I would not be positive of that.

It has been charged that the packers owning an interest in a stockyard gives them an undue advantage in purchasing live stock. As a shipper of live stock, and interested in the raisers of live stock, because I have loaned them money largely, I have never seen any indication of this. In fact, I do not see how it can be. It is an open market. The farmer or stock raiser consigns his stock usually to a commission man, although he can consign it to himself, and sometimes does. But he generally turns it over to a commission firm before he sells. All the jobbers are buying there. There must be at least 50 shippers who purchase live stock there for eastern butchers and eastern concerns. At least 40 per cent of the cattle that are shipped to the Kansas City stockyards are sold to feeders, going back into the country, not handled by the packers at all, and frequently the packers and the feeders are very strong competitors. I know of my own personal knowledge a number of times that the packer would outbid me on a bunch of cattle that I would like to have taken back to the country, to my farm, but they were stronger bidders, would bid more for the cattle than I could to feed them.

Senator THOMPSON. They would want them for butchering?

Mr. GEOBEL. Yes. I have heard it charged that perhaps a packer having an interest in the stockyards would delay the weighing of cattle. But the yard hands do not know who the cattle are sold to as they go to the scales, have not any idea, have no knowledge. In fact, that is not disclosed until the cattle are weighed.

The CHAIRMAN. What motive could the packers have for delaying weighing?

Mr. GEOBEL. So that the cattle might shrink.

The CHAIRMAN. To get rid of the water?

Mr. GEOBEL. Yes. That has been one of the great causes of complaint in all these years I have shipped stock to the Kansas City stockyards, the slowness with which we could get to the scales. When I became a director, at the very first meeting I insisted that the scale facilities be increased, that the viaducts to the scales be built so that the cattle from any part of the sales pen could readily get to the scales, and to get away from the scales when they were weighed.

The CHAIRMAN. When did you become a director?

Mr. GEOBEL. Five years ago.

The CHAIRMAN. When Morris acquired control?

Mr. GEOBEL. Yes. My recommendations have invariably been carried out.

We handled at the yards last year 161,000 cars of live stock. That gives you some idea of the enormous business that is done there. I have kept in close touch with the workings of the yards, because my sympathies are all with the men who ship cattle there, and my influence on the board of directors is to get some facilities for the handling of cattle and hogs properly after they get there.

Senator THOMPSON. About how extensive is your dealing with the shipper?

Mr. GOEBEL. I have probably loaned as much money on small bunches of cattle as any man in Kansas. I do not make a specialty of the big range loans, but my specialty is loaning to the fellow who feeds one or two or three carloads of cattle over the State of Missouri.

Senator THOMPSON. In money, about how extensive has that been?

Mr. GOEBEL. I suppose that I carry, the year around, on an average, two and half million dollars of that class of loans, or perhaps nearer three million.

The CHAIRMAN. Do any of the packing houses own stock in your bank?

Mr. GOEBEL. No; not a dollar.

The CHAIRMAN. Do you own any stock in the packing houses?

Mr. GOEBEL. Not a dollar, and never have. All of the packers do business in our bank, because it is the largest bank in Kansas City, Kans., and the packing houses are all located in Kansas City, Kans. But I do it on strictly business principles. The packers are all large borrowers, and I usually loan them our limit. I have no interest whatever in any of the packing houses. But, it is said, when the live-stock shipper gets to the Kansas City market he has to sell to the packer. That is not always true. There are a lot of shippers who buy live stock. But, on the other hand, the packer has to buy, too, because he has to keep his packing plants going. And the packing plant operated much below its capacity is not a profitable proposition.

Senator NORRIS. There is a lot of this stock not bought by the packers?

Mr. GOEBEL. Yes.

Senator NORRIS. Do you know what per cent the packers bought of the stock last year?

Mr. GOEBEL. I really do not. I suppose of the hogs they probably bought 85 per cent.

Senator NORRIS. How much of the cattle?

Mr. GOEBEL. I will say around 50 per cent.

Senator NORRIS. What becomes of the other 50 per cent?

Mr. GOEBEL. There is about 40 per cent goes back to the country. Kansas City stockyards is the largest stock feeder in the world.

Senator NORRIS. I have been told that the records show that the packers buy 98 per cent of the stock that is sold in Kansas City. Is that true?

Mr. GOEBEL. That can not possibly be true, because, as I say, an enormous number of cattle goes back to the country.

The CHAIRMAN. Would they buy 98 per cent of those that do not go to the country?

Mr. GOEBEL. Of cattle, I would say not, unless, of course, these order buyers are really packer buyers, small packers located at other places.

Senator NORRIS. What becomes of the stock that is bought to be slaughtered that the packers do not buy? Who does buy?

Mr. GOEBEL. I say, the packers are not all located at the Kansas City stockyards.

Senator NORRIS. They would be packers.

Mr. GOEBEL. Yes; small packers.

Senator NORRIS. They might be small packers or big packers?

Mr. GOEBEL. I was talking about the Big Five.

Senator NORRIS. What is the name of your bank?

Mr. GOEBEL. The Commercial National Bank of Kansas City, Kans.

Senator NORRIS. Where is it located?

Mr. GOEBEL. In Kansas City, Kans.; 6th and Minnesota Avenue.

Senator NORRIS. How near the stockyard?

Mr. GOEBEL. I should say a half a mile; perhaps three-quarters of a mile.

Senator NORRIS. Do any of the packers own stock in the bank?

Mr. GOEBEL. No.

Senator NORRIS. Do any of the big packers make deposits there?

Mr. GOEBEL. Yes.

Senator NORRIS. Carry accounts there all the time?

Mr. GOEBEL. Yes.

Senator NORRIS. You loan money to all the packers?

Mr. GOEBEL. I loan money to all of them.

Senator NORRIS. How much stock do you own in the Kansas City stockyards?

Mr. GOEBEL. \$5,000; 50 shares.

Senator NORRIS. Did you pay par for that?

Mr. GOEBEL. No. I think I paid \$85. It is quoted around \$80 now.

Senator NORRIS. What is the capital stock?

Mr. GOEBEL. There is two and a half million of common stock.

Senator NORRIS. How much of preferred?

Mr. GOEBEL. I think there is seven million. These figures are estimated, Senator.

Senator NORRIS. Seven million preferred?

Mr. GOEBEL. Seven million preferred, I think.

Senator NORRIS. That would make about nine million and a half all together?

Mr. GOEBEL. Yes.

Senator NORRIS. Does that capital stock represent that much cash paid in?

Mr. GOEBEL. I think the value of the yards to-day is perhaps fully what the capital stock is.

Senator NORRIS. I did not ask you that question. How much of that capital stock was paid in in cash?

Mr. GOEBEL. Originally, I could not tell you.

Senator NORRIS. Or at any other time? This capital stock was increased at various times, was it not?

Mr. GOEBEL. I suppose so, but not since I have been connected with it.

Senator NORRIS. Was any of that stock given to Morris as a gift?

Mr. GOEBEL. I understand not.

Senator NORRIS. Or any of the other packers?

Mr. GOEBEL. No. The only bonus the packers got, the old yards gave them some ground.

The CHAIRMAN. How many of the packers are interested in this stockyard?

Mr. GOEBEL. Just the Morris family.

Senator NORRIS. You became a director at the time Morris bought in?

Mr. GOEBEL. Yes.

Senator NORRIS. As a matter of fact, you were elected by the Morris interests, were you not?

Mr. GOEBEL. I suppose so; yes.

Senator NORRIS. You could not hold your position as director without their consent, could you?

Mr. GOEBEL. No. They can put me out any time. However, I want to be clear in this matter. When I was invited to go on the board I told them I wanted them to distinctly understand that I was not a "Me-too," director.

Senator NORRIS. Do the shippers, for whom you speak, you say, mostly, and in whom you are mostly interested, agree with you that the packers ought to own the stockyards?

Mr. GOEBEL. I have never heard any complaint from a single one about the ownership of the Morris people in the stockyards.

Senator NORRIS. You have heard a good many of them commend it?

Mr. GOEBEL. I have heard a good many commend it.

Senator NORRIS. You are not a commission man?

Mr. GOEBEL. No.

Senator NORRIS. Are the commission men in accord with you that the packers ought to own the stockyards?

Mr. GOEBEL. I do not think that the commission men care very much one way or the other, so that they get the service.

Senator NORRIS. Ostensibly, at least, they attend to the shipments, mostly?

Mr. GOEBEL. Yes, sir.

Senator NORRIS. Did you hear the resolution read into the record here the other day of the national convention of these commission men, in which they unanimously said that the ownership of the stockyards should be divorced entirely from packer control?

Mr. GOEBEL. No: I am not familiar with that resolution.

Senator NORRIS. Were you in attendance at the bankers' convention at Kansas City when this question man from the southwest part of the country introduced a resolution practically demanding that the packers should not control the stockyards?

Mr. GOEBEL. I was there. But the resolution was that the whole live-stock industry should be investigated.

Senator NORRIS. You know what happened to that resolution?

Mr. GOEBEL. Yes, sir.

Mr. NORRIS. That was a convention of bankers from all over the country?

Mr. GOEBEL. From all over the United States.

Senator NORRIS. The bankers were opposed to that investigation?

Mr. GOEBEL. No. The resolution was withdrawn.

Senator NORRIS. It was withdrawn the next day after it was introduced?

Mr. GOEBEL. Yes.

Senator NORRIS. Was it not withdrawn because there was so much opposition from the large bankers in various places that they succeeded in bringing pressure enough on the introducer to withdraw it?

Mr. GOEBEL. No. I want to tell you all about it. I was vice president of the American Bankers' Association at that time. The mover of this resolution, a gentleman from St. Angelo, Tex.—I do not think of his name just now; it has escaped me——

Senator NORRIS. His name is in the record.

Mr. GOEBEL. He introduced a resolution. Under the rules it had to lie over until the time for resolutions was reached.

Senator NORRIS. Did he not himself ask that it be referred to the committee? It was referred to the committee.

Mr. GOEBEL. It was referred to the committee on resolutions. It was the general opinion that we had had so much trouble about exchange rates, and were in such a turmoil, that it would not be good policy to start on the discussion of that kind of a resolution, and the gentleman himself the next afternoon got up and obtained unanimous consent to withdraw the resolution.

Senator NORRIS. And it was withdrawn?

Mr. GOEBEL. Yes.

Senator NORRIS. Did you hear the letter read into the record here the other day, taken from the packers' files, in which the representative of the packers told how that was done?

Mr. GOEBEL. No.

Senator NORRIS. And he got various bankers interested to induce the man to withdraw it?

Mr. GOEBEL. No; I did not.

Senator NORRIS. That is all.

Senator THOMPSON. Is there anything else?

Mr. GOEBEL. All I can say in conclusion is that I have observed the workings of the stockyards before and since the Morris family obtained control of them.

Senator THOMPSON. How long have you been in business in Kansas City?

Mr. GOEBEL. I have been in business in Kansas City 22 years. I have been in the banking business within 40 miles of Kansas City for 33 years.

Senator THOMPSON. You were president of the National Bankers' Association?

Mr. GOEBEL. Yes; I was president of the National Bankers' Association for one year.

My observation is that the yards have been handled very much better since the change of management. I have never yet heard at any board of directors' meeting anybody state that Mr. Morris would like so and so. Every question of improvements comes before the board of directors and is thoroughly discussed.

Senator NORRIS. Morris selects all the board of directors, does he not?

Mr. GOEBEL. They are independent men. Will you allow me to give the names?

Senator NORRIS. Certainly. We would be glad to have them in the record.

Mr. GOEBEL. The directors are E. V. R. Thayer, formerly of Boston, but now New York, but who never attends. I have never seen him.

The CHAIRMAN. With what institution is he connected?

Mr. GOEBEL. I think he is with the Chase National Bank now.

Senator NORRIS. You know that is a packer bank, do you not?

Mr. GOEBEL. No; I do not; but it may be. The other directors are W. T. Kemper.

Senator NORRIS. Who is he?

Mr. GOEBEL. He is connected with the Southwest National Bank of Commerce of Kansas City, Mo., in which the packers do not own a dollar's worth of stock.

The CHAIRMAN. Do you know whether Mr. Kemper was active in voting to prevent the Boland resolution from passing?

Mr. GOEBEL. I can not say as to that.

The CHAIRMAN. That some letter or telegram was put in the record from him?

Mr. GOEBEL. It may be.

The CHAIRMAN. I do not remember just what it was, but I know Mr. Kemper very well.

Mr. GOEBEL. E. F. Swinney, president of the First National Bank of Kansas City; H. L. Jarboe, jr., president of the National Bank—Morris bank; Mr. W. H. Weeks, who is the manager.

Senator NORRIS. Who devotes his time to it?

Mr. GOEBEL. Yes, sir.

Senator NORRIS. Has he any other business?

Mr. GOEBEL. No. Mr. O. L. Waite also devotes his time to it. John E. Thayer, jr., I suppose of Boston. I have never met him.

Senator NORRIS. He has never been there?

Mr. GOEBEL. No. And myself.

Senator NORRIS. As a matter of fact, the directors are practically all bankers?

Mr. GOEBEL. Yes, except the men actively engaged in business there.

Senator NORRIS. And those two men, the other members of the board, I suppose, select them to transact business, do they not?

Mr. GOEBEL. Yes.

The CHAIRMAN. There are no producers on the board?

Mr. GOEBEL. No, there are no producers on the board. I wish there were. What I was going to say is that while all the packers do business with our bank, the producers of live stock do at least 25 times more than the packers.

Senator NORRIS. The business they do is mostly in borrowing money of you, is it not?

Mr. GOEBEL. Yes, mostly borrowing money, a good many through local banks, a good many direct. I have a good many clients to whom I lend money in Kansas City with whom I have done business for 15 years.

Senator NORRIS. A good deal of the loans are made through the instrumentality of some local bank?

Mr. GOEBEL. Yes.

Senator NORRIS. And they rediscount the paper?

Mr. GOEBEL. Yes. But we check it up and become acquainted with the men themselves. We have a man in the field for that purpose.

Senator NORRIS. How many of the producers have money on deposit in your bank, if any?

Mr. GOEBEL. That would be hard to say; a hundred or more.

Senator NORRIS. Are there a good many?

Mr. GOEBEL. Yes, quite a number.

Senator NORRIS. Most of the business connections you have with the producers of stock are in loaning money to them?

Mr. GOEBEL. Yes.

The CHAIRMAN. Do you remember an instance—it is too vague in my memory for me to make it very distinct—where one bank in Kansas City gave away the fact to the packers that a large producer carried considerable loans with the bank, and he was an anti-packing house man in the live stock association, and was having a great deal of trouble in getting credit?

Mr. GOEBEL. You are referring to Mr. Landrigrin?

The CHAIRMAN. Yes, I think that is the name.

Mr. GOEBEL. I have heard something of that. But to my own knowledge I know that Mr. Landrigrin's credit in one bank in Kansas City is almost unlimited to-day.

The CHAIRMAN. There are two factions, are there not, in the live stock association, a propacking and an antipacking faction?

Mr. GOEBEL. I suppose so.

The CHAIRMAN. You have heard that, have you not?

Mr. GOEBEL. Yes; I have heard that, and that would be natural.

The CHAIRMAN. You stated you did not know anything about any grievances on the part of any of the producers, that they are all pleased.

Mr. GOEBEL. I did not say that they are all pleased. As I said, I have heard a lot of complaints during the last three or four months on account of the insufficiency of the service. But it was brought about by the abnormal run, and the impossibility of getting enough help. It was a war condition.

The CHAIRMAN. Then you did not hear any complaint extending through these five years on the part of the producers?

Mr. GOEBEL. Very little complaint. I have talked with a good many.

The CHAIRMAN. They make quite a good deal of complaint, and this investigation that was carried on by the Federal Trade Commission was on account of the grievances on the part of producers, and yet you say you know nothing about that?

Mr. GOEBEL. I know in a general way. But to my personal observation there has been very little complaint brought, and I expect I am perhaps acquainted with as many cattlemen in Kansas as the average man would be, at least.

The CHAIRMAN. Then, if the producers, had any real grievances, you do not know it?

Mr. GOEBEL. No.

The CHAIRMAN. And you would not be in a situation to correct those grievances unless you know it, would you?

Mr. GOEBEL. Wait a minute. There has been a tremendous lot of complaint in the last three or four months because the cow carcasses were discriminated against. But that complaint was more against the purchasing agents' department of the Army, because they made

their requirement for steers carcasses, and consequently the cow situation has been discriminated against—unjustly, I think.

The CHAIRMAN. The case would fall under it about 50 pounds, would they not?

Mr. GOEBEL. Yes.

Senator NORRIS. What proportion of the cattle shipped into Kansas City are shipped in by the men who produce the stock, and what proportion are shipped in by local buyers throughout the country?

Mr. GOEBEL. I would not venture to state. But I want to say this, that the local buyer is becoming scarcer and scarcer.

Senator NORRIS. It is gradually coming to the point where the owner himself ships them in?

Mr. GOEBEL. Yes, sir, and the cooperative associations. I have been a continuous advocate of cooperation by farmers in marketing.

Senator NORRIS. Do you not think if you would carry that to its logical conclusion that they would have to control the stockyards?

Mr. GOEBEL. Absolutely. That would be the ideal situation. But you have to educate the grower of livestock before you can reach that very desirable point.

Senator NORRIS. Fellows who are in these associations are anxious, as a rule, to do that, are they not, in your observation?

Mr. GOEBEL. Yes, sir. Two or three years ago I was invited to make an address on rural credits before the State Board of Agriculture of Kansas at its January meeting, which is always a large gathering of farmers. In that address I advocated cooperative elevators at every station, eventually terminal elevators, and I told them then that if the farmers and the men of Kansas had invested the money that they have in oil stocks and things of that sort and built a packing house at the Kansas City stockyards, they could have thoroughly tested out the ability of cooperation at just what the big packer is doing.

The CHAIRMAN. Do you not think that is a probable course of evolution?

Mr. GOEBEL. Yes. And I told them then that whenever they got ready to build a packing house at Kansas City, I would see that they got the ground to build it on from the Kansas City stockyards. We have two independent packing companies now.

The CHAIRMAN. What are they?

Mr. GOEBEL. The Ruddy and the Cochran. We built a cattle chute to the Ruddy plant before it was ready. We leased to the Cochran plant all the ground they needed, all they wanted, at a rental of a dollar a year and the payment of the taxes.

The CHAIRMAN. Are they really independent?

Mr. GOEBEL. Absolutely independent.

The CHAIRMAN. It was said here by a witness the other day that with some different ownership of the stockyards new packing concerns might be encouraged to establish plants there, and that that would provide a better and a more competitive market which would inure to the advantage of producers. Do you think that might possibly follow?

Mr. GOEBEL. The point is this, Senator, as far as competition is concerned: the price, after all, must bear some relation to the supply and demand, except during wartime.

The CHAIRMAN. Even then.

MR. GOEBEL. We say competition. Here I have a lot of fat cattle in the yards. Packer buyers come out and look at them. They are experts. They know about what a steer will dress. They know about what they are going to get for it, and their bids must necessarily be pretty near the same, just varied as to the judgment of the particular buyer. Some man might think he will dress 58, and some other man might think he will dress 55. I do not care how many independent packing plants you have, the buyers of those concerns will act on the same idea.

THE CHAIRMAN. And will gravitate toward the same point?

MR. GOEBEL. Toward the same price. You take the grain prices. I went over the other day to the Board of Trade of Kansas City to buy a carload of corn for feeding some hogs on my farm, and I looked over the samples. I paid two cents premium for a car of No. 3 corn because it just suited me.

THE CHAIRMAN. When did you leave Kansas City?

MR. GOEBEL. Friday night.

THE CHAIRMAN. How did you happen to come down?

MR. GOEBEL. I heard about this bill, at a meeting of the Board of Directors, and they asked me to come—not the board of directors, but just the executive committee.

SENATOR THOMPSON. The board of directors of the stockyards?

MR. GOEBEL. Yes, sir.

THE CHAIRMAN. Your dividends aggregated 5 per cent on all your stock last year?

MR. GOEBEL. Yes.

THE CHAIRMAN. What was your surplus?

MR. GOEBEL. We earned about \$285,000 more than the dividends and it went right back into improvements. We will have to borrow money this year to complete the improvements I spoke to you about.

THE CHAIRMAN. You do not think the Government ownership and operation would be a success?

MR. GOEBEL. I do not.

THE CHAIRMAN. And you do not think the railroad ownership and operation would be a success?

MR. GOEBEL. I do not. I think the ownership of stockyards should be lodged with the men who are interested in efficient service rather than in just dividends.

THE CHAIRMAN. You think it ought to be owned by either the packing houses or the producers?

MR. GOEBEL. Or by both.

THE CHAIRMAN. Do you think it would be practicable to require that representatives of the producers and a representative of the Government should sit in your board of directors' meetings?

MR. GOEBEL. We are supervised by the Government now. They have inspectors there all the time who make suggestions, and then we have never had any trouble.

SENATOR THOMPSON. Did you state what the dividend on the stock was?

MR. GOEBEL. Five per cent. All the earnings over and above that have gone back into improvements in the yards and will continue to do so.

(Thereupon, at 1 o'clock p. m. a recess was taken until 2.30 p. m.)

AFTERNOON SESSION (JANUARY 21, 1919).

The committee met at 3 o'clock p. m., pursuant to the taking of recess.

STATEMENT OF MR. GEORGE A. HORMEL, OF G. A. HORMEL, PORK PACKERS, AUSTIN, MINN.

Mr. HORMEL. Mr. Chairman, I would say that I started our present business in 1892, under the firm name of George A. Hormel & Co.

The CHAIRMAN (Senator Gore in the chair). And you are George A. Hormel?

Mr. HORMEL. Yes, sir. We started in a small way, and in 1900 we incorporated. In 1902 we killed 610 hogs for the year, and the volume of our last year's business reached something over \$24,000,000. A few weeks ago I was solicited by Mr. Colver to testify before the committee of the House, and I wrote back that I preferred not to appear. He wrote a second time that he would like to have me come, and about that time there was an article in the paper that Mr. Murdock made a statement before a committee that the packers would put me out of business in five years.

Senator GRONNA. Is that Mr. Murdock of the Federal Trade Commission?

Mr. HORMEL. Yes, sir; and I am here to correct that.

I presume that Mr. Murdock did not intentionally wish to do me a wrong, but the fact is that he has caused me a considerable injury, the extent of which I will not be able to determine until later on. As an example, the company wanted to put out a little more preferred stock, in order to add to our present capital, which nearly every industry in the country finds necessary to do now in order to meet the conditions that confront us. On one side of the paper I am soliciting my friends' and neighbors' investments in our preferred stock, and on the other side is a column of news that has been copied from other papers, saying that the packers are in a position to put me out of business, and that the possible life of my business is only five years.

I am sorry to say that Mr. Murdock is decidedly wrong in making such a statement. Just at this time——

The CHAIRMAN. Do you mean by that that the packers have not got power to do it, or have not got the disposition to do it?

Mr. HORMEL. They have not got the disposition, and I do not think they have the power. I will take my chances with them.

The CHAIRMAN. You think Mr. Murdock's utterance did you a great deal of harm, but you do not think the packing houses could do enough more harm to you to put you out of business?

Mr. HORMEL. The packing houses up to this time have not done me an injury, which is self-evident from the fact that I was able to build up the business from nothing to its present proportions.

Now, then, the matter of credit to the little packers is worth more than the actual investment, more than the actual invested capital; a good line of credit and the confidence of the bank is necessary in order to carry over these uncertain times. As yet I am unable to determine what the position of these different banks is going to be, what their attitude is going to be if they read an article of that kind.

Senator NORRIS. Have any of the banks intimated to you that they would have to withdraw credit on account of that article?

Mr. HORMEL. No, sir; but my friends have told me at home that there has not been time to have the effect of that yet.

Senator NORRIS. That was a few weeks ago, was it?

Mr. HORMEL. Just last week.

Senator NORRIS. Well, do you not think that the banks, being acquainted with the financial standing of everybody, and particularly the standing of the packers, including yourself, would pass on your application without regard to what Mr. Murdock or I or any other man might say of your credit?

Mr. HORMEL. The source of your accommodation comes from hundreds of different bankers. If I was dependent upon a large bank I would say that they are familiar enough and have confidence enough in the big packers to know that they would not stoop to such practices.

The CHAIRMAN. What was that statement?

Mr. HORMEL. I say that I am dependent upon a lot of little banks for my accommodations. If I was dependent upon the larger banks, they are familiar enough with the tactics of the big packers to know that they could not afford to stoop to any such practice that would put an individual out of business.

The CHAIRMAN. You think that the big banks know that the big packers would not stoop to that sort of thing?

Mr. HORMEL. I think they are familiar enough—

Senator NORRIS. You know, as a matter of fact, that the packers would not do anything of that kind—they would not put you out of business if they could?

Mr. HORMEL. Up to this time I have no reason to lay such a guilt to any of the packers.

The CHAIRMAN. You think the little banks are not familiar enough with the packing-house methods to know that they would not do any such thing as that?

Mr. HORMEL. For instance, a lot of our paper is gotten through a broker, and this broker spreads this paper through a lot of little banks.

Senator GRONNA. All the packers do that, do they not? I know a good many of the large packers do that, and I know the banks, even in my country, have an opportunity to buy that kind of paper.

The CHAIRMAN. What I want to get at was, if the big banks knew this well enough to know that the packers would not do this, but the little banks do not know enough about the big packers to know that they would not do it?

Mr. HORMEL. I have no fear of the big banks, but—

The CHAIRMAN. That is interesting. There was a man in my State who appeared before the committee of the House of Representatives, and it was his opinion that the banks had shut him off from credit and that he could not get credit, and that he had reason to suspect that the packing-house people connived at or encouraged the banks' refusal to extend him credit. Of course, I do not know about it, but it is in line with this point.

Senator NORRIS. Do you do business with the First National Bank of Chicago.

Mr. HORMEL. Yes, sir.

Senator NORRIS That is one of the big banks?

Mr. HORMEL. Yes; I don't think they would be affected by that.

Senator NORRIS. They have always supplied you with credit and have shown no disposition not to do so?

Mr. HORMEL. That is true. This article has just been in the papers the past week.

Mr. NORRIS. You would not be afraid of that bank?

Mr. HORMEL. No; they are friendly.

Senator NORRIS. And they could tide you over?

Mr. HORMEL. No; we have to borrow \$4,000,000 in our business, and no single bank will loan that much money to one concern.

Senator NORRIS. Well, the First National Bank, through its connections and its clientage with other banks scattered over the country, particularly in the West, would be able to handle \$4,000,000 without question, would they not?

Mr. HORMEL. I don't think they would want to hazard that much on any one business.

Senator NORRIS. I do not mean they alone; that they would take it all themselves; but a word from the First National Bank of Chicago to any of its banks doing business with them, practically by the hundred, would be a sufficient recommendation of you to get credit, would it not?

Mr. HORMEL. Oh, yes; surely.

Senator NORRIS. Then, it seems to me you are borrowing trouble. In fact, it struck me when you first took the stand and made the statement you did, that it would not influence me if I were loaning money, because, as a matter of fact, the first thing that the packers would do if they undertook to put you out of business would be first to give you an opportunity to sell, would it not? Is not that the usual method?

Mr. HORMEL. I think so; yes, sir.

Senator NORRIS. And, if so, your creditors would be protected. There would probably be a sufficient margin between what you owed and what you could sell for.

Mr. HORMEL. But perhaps the location of our plant is not desirable.

Senator NORRIS. I should think it would be quite desirable, since you have made such a success of it. Have the packers, any of them, ever approached you on—

Mr. HORMEL. Well, now, I don't know whether I would be justified in saying that or not.

Senator NORRIS. I do not, either. I am asking for information.

The CHAIRMAN. We would just like to know whether it is a fact or not.

Mr. HORMEL. There has been some correspondence with one of the larger packers in regard to buying us out, but, in fairness, I will say that we took the initiative in that matter.

Senator GRONNA. Is there any packing plant nearer to your place than St. Paul?

Mr. HORMEL. Yes, sir.

Senator GRONNA. Did not the big packers start another plant quite close to you?

Mr. HORMEL. Yes; at Albert Lea.

Senator GRONNA. That is not very far away from you?

Mr. HORMEL. No.

Senator GRONNA. As I understand it, that was started by the big packers?

Mr. HORMEL. Well, it was started by Swarzchild & Sulzberger, which has been taken over by Wilson & Co.

Senator GRONNA. What was the first plant established, your plant or the Albert Lea plant?

Mr. HORMEL. Our plant.

The CHAIRMAN. Is the Albert Lea plant still running?

Mr. HORMEL. Oh, yes.

The CHAIRMAN. Do you know any of these larger packers?

Mr. HORMEL. I am acquainted with the larger packers, yes.

The CHAIRMAN. And your relations with them are friendly, are they?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. Did you sell through them the last year any of your products?

Mr. HORMEL. Yes. We very frequently sell, and we also buy of the larger packers.

Senator NORRIS. How much during the last year, as near as you can remember, have you sold to any of the five large packers?

Mr. HORMEL. Well, I am afraid that my guess would be a little out of line. If I were at home I could give you the figures from the records.

Senator NORRIS. I do not expect you to give it accurately, but give us an idea about it.

Mr. HORMEL. I would say perhaps 10 or 15 per cent of our product.

Senator NORRIS. What is the *modus operandi* when you sell through them? Do they act as agents for you, for instance, to sell to the Government, or to foreign governments?

Mr. HORMEL. Well, we have sold a good many cars of green leaf to the big packers, who seem to be prepared to handle it.

The CHAIRMAN. What sort of leaf?

Mr. HORMEL. Green leaf, before it is cured. We have it all trimmed, ready to cure, and they cure it and process it to meet the specifications of the Government. We have sold a great many cars in that way.

The CHAIRMAN. You do not have any contract with the Government yourself?

Mr. HORMEL. No, sir.

The CHAIRMAN. But these big packers have?

Mr. HORMEL. Yes.

The CHAIRMAN. And they were taking your stuff and turning it over to the Government?

Mr. HORMEL. Yes.

Senator NORRIS. And you make a contract with them and not with the Government officials?

Mr. HORMEL. That is correct.

Senator NORRIS. Did you ever bid on the Government contracts? Are you not called in by Mr. Hoover for instance?

Mr. HORMEL. Oh, we have shipped a lot of food to the allies, through the Food Administration.

Senator NORRIS. Why do you sell the meat to the big packers for Government use, instead of selling it directly to the Government? What is the reason for doing that?

Mr. HORMEL. We have not the facilities to process it in order to meet the Government specifications.

The CHAIRMAN. And you have a working arrangement with them?

Mr. HORMEL. I would not say that. We sell outright to the big packers.

The CHAIRMAN. They are about the only people you could sell to, are they not?

Mr. HORMEL. Yes; we have not had any other—

The CHAIRMAN (interposing). Then you do not really invade their market as to that sort of goods?

Mr. HORMEL. We have not; although we are not prevented from doing so.

Senator NORRIS. Well, you are not prepared to comply with the Government's specifications, as I understand it?

Mr. HORMEL. That is one reason; and the other reason is that there are so many hogs available at the present time that we are operating at the rate of 4,000 a day, and we try to dispose of the product as quickly as we can, because the faster we can load that in the cars the more hogs we can handle.

Senator NORRIS. And you sell that before it is cured?

Mr. HORMEL. Yes.

Senator NORRIS. To the packers?

Mr. HORMEL. Yes.

Senator NORRIS. You cure meat, though, yourself, do you?

Mr. HORMEL. Yes, sir.

Senator NORRIS. But are you using your factory to capacity in curing meats?

Mr. HORMEL. Unless we get relief from the Food Administration soon we will have to close our plant. The house is practically congested at the present time.

Senator NORRIS. Filled up?

Mr. HORMEL. Yes.

Senator NORRIS. Have you heard anything about this rumor, a newspaper statement, that Great Britain has refused to buy more meat?

Mr. HORMEL. Yes, sir.

Senator NORRIS. Were you in on that conference held in October? Did you attend that, when that question was taken up?

Mr. HORMEL. I was on the packers' committee, on several conferences with Mr. Hoover, of the Food Administration.

Senator NORRIS. Well, was there anything said at that conference, or any other conference, by the Food Administration or any of its officials or any of the other packers, in regard to the appropriation of money by Congress to buy supplies over in Europe to feed the starving people and to steady the market here, so that it would not go down too rapidly?

Mr. HORMEL. I do not believe that that subject was discussed at any time or at any meeting when I was present.

Senator NORRIS. Well, do you know anything about that question?

Mr. HORMEL. I was under the impression that our Government was financing the allies in order that they might be in a position to purchase our products.

Senator NORRIS. You do not quite get my question, I think. Since the armistice has been signed, and there is a move on foot to buy a lot of food to feed the people in Europe, in France and England and Italy and other countries, have you got an understanding that there is any understanding between any of our Food Administration officials and the packers that they will buy the food products so as to prevent a slump in the market that would otherwise come?

Mr. HORMEL. The only information I get is from the papers, and in the papers I have noticed that this was the intention, or, rather, it has been recommended by President that \$100,000,000 be appropriated by Congress, and \$100,000,000 by England and France, and perhaps other countries.

Senator NORRIS. You have not any information except what has appeared in the newspapers?

Mr. HORMEL. That is all. I have not been at any conference since the armistice was signed.

Senator NORRIS. Do you know anything about England having an oversupply of slaughtered beef that was shipped to her when shipping was scarce, and that the English people decline to eat it now?

Mr. HORMEL. Only by cables that we have received from our connections on the other side.

Senator NORRIS. Well, is there such a condition? Is that a true statement?

Mr. HORMEL. I have no way of knowing only what the cables stated.

Senator NORRIS. Yes. Well, what does it state?

Mr. HORMEL. It states the English Government would not be taking on any more of the English cuts, and recommended to discontinue manufacturing them.

Senator NORRIS. That would mean a loss to the packers, would it not?

Mr. HORMEL. I would say it put the packer in a very dangerous position.

Senator NORRIS. And you, as a packer, with your storehouses completely filled with meat products, stand a chance of the market declining, and losing lots of money?

Mr. HORMEL. Yes; I would say so; inasmuch as the Government licensed the packers during the period of the war, and placed a minimum on the cost of hogs and compelled them to pay that, I would say it was the Government's duty to protect the packer to the extent that it would relieve him of the products based on the cost of the hogs.

Senator NORRIS. Well, what I was trying to get at was whether this movement to buy food over there would not help out in that kind of a program, whether it was part of the program.

Mr. HORMEL. It would, absolutely. I would say that the Food Administration was very successful in their efforts to cause the farmers to produce a supply of hogs that would meet the demands of the starving nations on the other side.

Senator NORRIS. What is the capital stock of your corporation?

Mr. HORMEL. We have \$1,000,000 of preferred stock, and \$2,200,000 of common stock.

Senator NORRIS. Does that all represent paid-in cash?

Mr. HORMEL. Practically all.

Senator NORRIS. Does the common stock represent cash paid, face value?

Mr. HORMEL. I will have to explain that the book value of our common stock, November 1, 1916, represented something like \$260 a share.

Senator NORRIS. \$100 par?

Mr. HORMEL. Yes.

Senator NORRIS. Well, that still does not answer my question.

Mr. HORMEL. Well, I am going to tell you.

Senator NORRIS. Yes. All right.

Mr. HORMEL. And in order to accumulate more capital, we found it necessary to declare a common-stock dividend of 400 per cent, or, rather, increase our common stock 400 per cent, and then allow the earnings to bring that up to par.

Senator NORRIS. You declared a stock dividend of 400 per cent?

Mr. HORMEL. Well, we will say we increased our common stock that much.

Senator NORRIS. Was that the way it was done?

Mr. HORMEL. Yes, sir.

Senator NORRIS. And had you been paying dividends to your stockholders prior to that, all the time?

Mr. HORMEL. There were very little dividends that had been paid out on the common stock.

Senator NORRIS. Then you declared this stock dividend—

Mr. HORMEL. We paid 7 per cent dividends on our preferred stock yearly—

Senator NORRIS. You have been doing that continually, have you?

Mr. HORMEL. Every year. We have never missed it.

Senator NORRIS. And you made enough in the business, above the 7 per cent that you paid, to declare this 400 per cent stock dividend?

Mr. HORMEL. Well, it is an accumulation of profits for years. The business has developed and grown to its present proportions because we allowed the earnings on the common stock to remain in the business.

Senator NORRIS. Exactly. But this stock dividend of 400 per cent came from profits that had accumulated in the business in excess of the 7 per cent that you had paid to your stockholders?

Mr. HORMEL. Yes, sir.

Senator NORRIS. First, referring to the preferred stock, how much preferred stock is there?

Mr. HORMEL. At the present time, there was \$700,000 of the preferred stock, but \$200,000 of that was put out in the past year, and we have authorized the sale of the balance, \$300,000 this year.

Senator NORRIS. How much money did the sale of the \$200,000 bring in to the corporation?

Mr. HORMEL. \$200,000.

Senator NORRIS. You sold that at par?

Mr. HORMEL. Yes, sir. That was absorbed by our present stockholders.

Senator NORRIS. The present stock represents cash value up to par?

Mr. HORMEL. Yes.

Senator NORRIS. Does all of the common stock represent money that was permitted to be accumulated?

Mr. HORMEL. Yes, sir.

Senator NORRIS. There is none of that paid in in money from the outside?

Mr. HORMEL. No, sir.

Senator NORRIS. Now, how much during the last year did you pay on your preferred stock—was it 7 per cent?

Mr. HORMEL. Seven per cent.

Senator NORRIS. How much could you have paid if you had put all of the profits into dividends instead of holding them as a surplus or making stock dividends of them?

Mr. HORMEL. This past year?

Senator NORRIS. Yes.

Mr. HORMEL. I am afraid there would not have been much left this past year after deducting the excess profits. I would say that there was something in the neighborhood of 10 per cent.

The CHAIRMAN. On the common stock?

Mr. HORMEL. Yes, sir.

Senator NORRIS. No; I did not ask for the common stock.

Mr. HORMEL. Did you not? I would like to have you repeat that question.

Senator NORRIS. All right. Just so we can get the facts.

(The reporter read the previous questions and answers as follows:)

Senator NORRIS. Now, how much during the last year did you pay on your preferred stock—was it 7 per cent?

Mr. HORMEL. Seven per cent.

Senator NORRIS. How much could you have paid if you had put all of the profits into dividends instead of holding them as a surplus or making stock dividends of them?

Senator NORRIS. I had reference to the preferred stock.

Mr. HORMEL. Of course, that is a fixed dividend on the preferred stock. That question could be answered by adding the 10 per cent that we could have paid on the common stock.

Senator NORRIS. But you have more common stock than preferred stock—

The CHAIRMAN. He says he has \$2,200,000 of common stock, and 10 per cent of that would be \$220,000. That is twice your preferred stock; or over twice your preferred stock. Your preferred stock is one million dollars?

Mr. HORMEL. There is not that much money out on preferred stock.

Senator NORRIS. \$700,000 is the preferred stock. Now, what is the common stock, how much is that?

Mr. HORMEL. \$2,200,000.

Senator NORRIS. Now, the \$2,200,000 represents profits on the business in excess of 7 per cent from the time you went into the business down to now, does it not?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. And you could have distributed 10 per cent on your \$2,200,000 last year?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. You could have done that, and that would have been \$220,000?

Mr. HORMEL. Yes, sir; but, of course, in order to determine whether that was a big or a little profit you would have to know whether everything is based on conservative costs or not, your plant and building and machinery, and so forth.

The CHAIRMAN. The point I was getting at is that \$220,000 on \$700,000 would be 30 per cent. You could have paid 30 per cent on the preferred stock, plus the 7 per cent you did pay, which would have amounted to 37 per cent?

Mr. HORMEL. How do you figure that out?

The CHAIRMAN. I understand you to say you could have paid 10 per cent on \$2,200,000, which would have been \$220,000. Now, \$220,000 is 30 per cent of \$700,000, your preferred stock, and you paid 7 per cent on your preferred stock, and if you add 30 per cent and 7 per cent, that would be 37 per cent, as I figure it out.

Mr. HORMEL. Mr. Chairman, do you not consider that when I put my earnings in a business that that dollar is just as good as the dollar—

The CHAIRMAN (interposing). But that is not the point.

Senator NORRIS. We are not talking about whether it is right or wrong, but we are just trying to get at the facts.

Mr. HORMEL. I do not want to leave any wrong impression.

Senator NORRIS. During all the time you have operated you have set aside something for depreciation, have you not?

Mr. HORMEL. Yes.

Senator NORRIS. And your plant has been improved?

Mr. HORMEL. Yes, sir.

Senator NORRIS. That has all been charged up as expenses?

Mr. HORMEL. Yes, sir.

Senator NORRIS. So, as a matter of fact, since you have been in operation in this packing business, it has been wonderfully successful financially, has it not?

Mr. HORMEL. I think we are considered about as successful a plant as there is in the country.

Senator NORRIS. Yes; I should think so. How many years have you been in the business.

Mr. HORMEL. Since 1892, 26 years.

The CHAIRMAN. You stated a while ago that you handled certain meat through certain processes, and then passed it on to the bigger packers to be finished for Government contracts?

Mr. HORMEL. That happens to be so under present conditions. There are times when the packers are short of cured hams, and they buy from one another, and they take some of our products.

The CHAIRMAN. I take it the relations are satisfactory and mutually profitable, you and the large packers?

Mr. HORMEL. Yes, sir.

The CHAIRMAN. Is the First National Bank of Chicago one of the so-called packing house banks?

Mr. HORMEL. Well, I do not know. I never asked them who was associated with them.

The CHAIRMAN. Is there anything further you wish to say?

Senator NORRIS. I would like to ask another question. Was it not Morris, that died some time ago? Do you know that his estate owned a controlling interest in the First National Bank of Chicago?

Mr. HORMEL. No. That never came under my observation.

The CHAIRMAN. Is there anything further you wish to say?

Mr. HORMEL. Yes. I would like to say that I object to the packing business being subjected to the license. If the business is going to be branded as a disrespecktable, demoralized business, I want to get out of it.

The CHAIRMAN. It has been under a license lately.

Mr. HORMEL. It has been under a license during the war.

The CHAIRMAN. But it has been profitable, has it not?

Mr. HORMEL. That all remains to be seen. Our profits last year were very unsatisfactory.

The CHAIRMAN. As compared with preceding years?

Mr. HORMEL. Yes, sir; and, taking into consideration what you have got to face, we ought to have sufficient profits, and we were entitled to sufficient profits to protect us on the toboggan when this thing goes on the slide downward.

The CHAIRMAN. I think there is a good deal of force in that, yes.

Now, is there anything further that you object to in regard to the license system?

Mr. HORMEL. Yes. Every feature of the present bill I object to.

The CHAIRMAN. What features in it particularly?

Mr. HORMEL. Well, the taking over of the refrigerator cars.

The CHAIRMAN. Do you own any refrigerator cars?

Mr. HORMEL. No, sir.

The Chairman. Then why do you feel any concern about that?

Mr. HORMEL. Because, if we expand our business any more, I want to feel that I have the privilege of getting my own equipment, if I feel like doing so.

The CHAIRMAN. Well, if the railroads own this equipment—you do not own any stock cars, do you?

Mr. HORMEL. No.

The CHAIRMAN. You do not object to the railroads owning them, do you?

Mr. HORMEL. No. I think the railroads ought to supply the equipment necessary to do the business in the way of delivering the product to the Eastern market.

The CHAIRMAN. Refrigerator cars, stock cars, and so on?

Mr. HORMEL. Yes.

The CHAIRMAN. Do you not think that that is the business of the common carrier?

Mr. HORMEL. I would think so.

The CHAIRMAN. If the packing houses own the refrigerator cars and wanted to crush you out, could they not embarrass you a good deal by refusing you refrigerator cars?

Mr. HORMEL. Well, I don't know what the function of the Federal Trade Commission is, but I know that the life-saver of the business men—no matter what industry—has been the Interstate Commerce Commission. The Interstate Commerce Commission did not go out and dig up a lot of stuff in order to antagonize any particular industry.

The CHAIRMAN. Are you familiar with the long drawn-out con-

troversty between the Interstate Commerce Commission and the railroads, which lasted for 15 years, there being a constant warfare on the part of the railroads against the Interstate Commerce Commission, and lawsuit after lawsuit; and it requiring 15 years for that commission to evolve and develop any real power; and do you know that at every point the railroads were antagonistic to the Interstate Commerce Commission?

Now, I think, the railroads have come to recognize the Interstate Commerce Commission as a good institution and that it is really better for the railroads to be honest than otherwise; but they were antagonistic to them, as I say, for at least 15 years. Are you familiar with that fact?

Mr. HORMEL. What I was going to state was when there was a dispute we would be able to go before the Interstate Commerce Commission, and get relief. I would think that instead of antagonizing this business—

The CHAIRMAN. Have they antagonized you in any way?

Mr. HORMEL. I am talking about Congress antagonizing the packing business.

The CHAIRMAN. In what way?

Mr. HORMEL. The way they are constantly doing, bringing them up before the public. They ought to be helpful—

The CHAIRMAN. You do not believe in that?

Mr. HORMEL. I absolutely do not; but I don't know, as I say, I don't know what the function of the Federal Trade Commission is; but if a little packer feels that he is being in any way interfered with by unfair tactics on the part of the big fellow, I should think it ought to be his privilege to go before the Federal Trade Commission and present his claims, and then I think it would be time to investigate them and correct them.

Senator NORRIS. Well, do you not think that the public has some rights involved in all this? It is true that that is one of the functions of the Federal Trade Commission, as I understand the law. If you, as a little packer, felt you had been injured by a larger packer, you would have a right to complain to the Federal Trade Commission, but the Federal Trade Commission also has a right under the law, of its own motion, to investigate any business to see whether the methods of doing business are fair or unfair.

Now, I want to call your attention to your own statement. You are dealing in food products that the people have to buy. Congress wants to represent, I take it, the great consuming public that buy your products. You were incorporated in 1892 or 1902, and from that time up to now you have paid 7 per cent interest on the amount invested. You have set aside money for all expenses and depreciation of plant and kept your plant in better shape than it was to begin with, and everybody connected with it has drawn salary, which has been taken out, and then 7 per cent paid as dividends on the capital paid in, and during that time, up to now you have accumulated, in excess of that 7 per cent, a profit of \$2,200,000. Now, do you not think the public have a right to know whether they are paying exorbitant prices, and whether these men engaged in the production of food products are getting exorbitant prices?

Mr. HORMEL. I wish you would correct one statement. Instead of 1902 that should be 1892. That was just prior to the panic of

1893, and I want to tell you that since the beginning of our business I can name a dozen or fifteen packers that lost out in business within 150 miles of our locality.

The CHAIRMAN. Do you know whether that was the result of mismanagement or whether they were snuffed out?

Mr. HORMEL. That is exactly what I want to get at. If, for illustration, we ship 100,000,000 pounds of products in a year, for instance, last year, a quarter of a cent a pound on \$100,000,000 worth of products means \$250,000. I am willing to operate my business every year on a guarantee of that much profit.

Now then, if somebody comes to you and offers you a carload of beef at a quarter of a cent under somebody else—one-quarter of a cent a hundred—you would not think you were making much of a cut, would you? At the same time that represents the profit or loss of a packer. If that does not indicate efficiency, I do not know what does. Now—

The CHAIRMAN. I do not think there is any complaint that a great many packing houses are not highly efficient, and I think they are.

Mr. HORMEL. Now, if Congress would look around and see where they could benefit the packer instead of harassing him and doing everything to—

The CHAIRMAN (interposing). Now, what do you understand that Congress has done?

Mr. HORMEL. This thing here is constantly up in the papers.

The CHAIRMAN. What thing do you mean?

Mr. HORMEL. I have been called here by some one, by the Federal Trade Commission—

Senator NORRIS. I guess not.

Mr. HORMEL. Or by Mr. Colver—

Senator NORRIS. But you said you did not come when he summoned you. How did you happen to come before this committee?

Mr. HORMEL. When I saw this piece in the paper about me, I thought it was important to come.

The CHAIRMAN. Where were you?

Mr. HORMEL. At home.

The CHAIRMAN. Then, you came on your own motion?

Mr. HORMEL. At a second solicitation of Mr. Colver.

The CHAIRMAN. On his solicitation, or was it when you read that article, you decided to come yourself? I think you said that you read a statement from Mr. Murdock and came on that account.

Mr. HORMEL. I did not want to come here and testify, because I had no—

The CHAIRMAN (interposing). Now, you must exonerate this committee from the responsibility.

Senator NORRIS. We did not send for you, although we are glad to have you come here.

The CHAIRMAN. I would like to ask you this further question. What is your understanding of how the Federal Trade Commission happened to investigate the packing houses?

Mr. HORMEL. I have not the slightest idea.

The CHAIRMAN. Do you know whether they did it on their own motion, or whether the President of the United States directed them to do it?

Mr. HORMEL. I have not the slightest idea.

The CHAIRMAN. Ought you not to have some idea about who is responsible for the investigation before you go to hammering the Federal Trade Commission?

Mr. HORMEL. All I know is that they make these investigations every now and then, and I am in the packing business; and our local people—

The CHAIRMAN. Now, would you not rather invite investigation than shun it?

Mr. HORMEL. I say that if there is anybody that has any complaint to make that he ought to be able to go before the Federal Trade Commission and have it corrected.

The CHAIRMAN. My understanding—and perhaps Senator Norris is better advised than I am—is that the Federal Trade Commission did not start this investigation on its own motion, but that it was directed by the President of the United States. Is not that correct?

Senator NORRIS. That is a matter of record, yes; that is absolutely so.

The CHAIRMAN. So your criticism is directed to the President of the United States?

Mr. HORMEL. No. I do not want to criticise anybody—

The CHAIRMAN (interposing). But the Federal Trade Commission and Congress, do you?

Do you not think it would be fair and just for you to find out first who is responsible for this investigation rather than come here and make an omnibus criticism?

Mr. HORMEL. All right. I would criticize Mr. Murdock for making such a statement as he made. Now, whom should I blame for his making such a statement?

The CHAIRMAN. I would criticize Mr. Murdock himself for that, if there is any criticism due. It originated out of an investigation ordered by the President. That is the point I wanted to make—not ordered by Congress and not ordered by the Federal Trade Commission, but ordered by the President.

Mr. HORMEL. Well, I just want to leave the impression that I try to conduct my business in an honorable, businesslike way.

The CHAIRMAN. That has not been drawn in question, and Mr. Murdock's statement did not challenge either your honesty or integrity or the efficiency of your business.

Mr. HORMEL. But when the general packing business is assailed, I think it hurts me. It is a business that is most important for the success of the farmer.

The CHAIRMAN. Do you think the conduct of the big packing houses during all these years has been exemplary and should be immune against all criticism?

Mr. HORMEL. Well, I want to tell you a very unfair law that has been passed; and that is this inspection law. Now, I glory in the pure food law, and I claim that the inspection law is an excellent law, and it is very efficient, in that it keeps diseased meat from going to the consuming public.

The CHAIRMAN. Do you think there is any necessity for that? Do you not think that the packers could be trusted not to sell diseased meat?

Mr. **HORMEL**. Suppose nine of them could and the tenth one could not. I think, then, that the inspection law is just as necessary.

Now, then, here the law demands of the packer that he go out and pay a price to the farmer for his hogs; and we will put our officials here and condemn those hogs and you must stand that loss; and we have no way of telling whether these hogs are tubercular or not. At the same time, the farmer can violate every sanitary law and give us all the tubercular hogs he sees fit.

The **CHAIRMAN**. So you do not think that these hogs ought to be inspected to determine whether they are tubercular?

Mr. **HORMEL**. Yes; absolutely. But if the Government wants to protect the health of the public, and they go into a packer's plant and condemn hogs, I say the Government should take that meat over that they condemn and dispose of it to the best advantage, and they should not ask the packer to stand that loss. For instance—

The **CHAIRMAN**. Suppose you were to buy a hog and it were to die, do you think the Government ought to pay you for that hog?

Mr. **HORMEL**. Oh, no; that is different. But I want to give you an illustration. Just recently a farmer came in and he had seventy odd hogs, white hogs, as pretty as you ever looked at, fattened and you would think they came out of the same mold. We paid him a premium for those hogs. When they were slaughtered, there was something like 50 per cent of them condemned, or at least the condemned hogs amounted to somewhere between eleven hundred and twelve hundred dollars, on a single car. We immediately sent one of our men to this town to investigate where these hogs came from, and in a quiet way to ascertain the sanitary law this farmer violated, in order to get such a lot of diseased hogs, and we found that this man had taken a diseased tubercular cow, that he had to slaughter, that happened to be condemned by a veterinarian, and put it in his yard, and let the hogs eat it up. Now, here is the injury. The agitation all over the country is "Why the big gap from the price the producer gets to the price that the consumer has to pay?" I will say that this correction will have to be made some day, when the packer has to begin to sharpen his pencil in order to compete for foreign trade, in order to get rid of the surplus product of the farmer; that that loss that he has to stand, with the hog, is going to materially stand in the way of foreign trade, and who is going to suffer? It is the farmer.

But if a law was enacted where the farmer had to suffer for his own violation of the law, he would soon clean up his farm and the tubercular hog would be eliminated.

Senator **NORRIS**. Follow out your illustration. Did you do anything in regard to this farmer? Was he prosecuted, or anything like that?

Mr. **HORMEL**. This farmer went around, and we withheld his check. The hogs came in in the night, and it happened that they went over the scales and up to the slaughtering pens the first thing in the morning, before we sent him the check. We withheld payment of the check until we made the investigation. Now then, ordinarily, when you pass a hog over the scales and you have got his weight and you see nothing wrong, you are in duty bound to pay that farmer for his hogs; but, because this farmer himself violated the law, for

which he could be jailed, we were able to stand back and not pay him.

Senator NORRIS. Did you have him arrested?

Mr. HORMEL. No, sir.

Senator NORRIS. Well, you ought to have had him arrested, I think. Of course that farmer has violated the law.

Mr. HORMEL. Every violation would be self-evident if those men had to suffer for the number of tubercular hogs that he would market.

Senator NORRIS. Well, he ought to suffer for it. That is perfectly proper. I do not think you did your duty if you did not have him arrested and prosecuted under the law.

Senator GRONNA. Did you make any complaint to Mr. Hoover about this year's business? You say you had several conferences with him.

Mr. HORMEL. I don't know that Mr. Hoover is responsible.

Senator GRONNA. I mean the Food Administration. Is it not true that the packers have made more money this year than they ever made in the history of the packing industry before?

Mr. HORMEL. I do not know anything about what the larger packers have made. I meet some of the small packers occasionally and exchange notes, compare notes, with them; and I find that they nearly all of them are disappointed.

Senator GRONNA. You have made less profits this year than you did before?

Mr. HORMEL. We were limited to two and a half per cent on our turn-over, which we did not make. We made something like 1.5 per cent.

Senator GRONNA. You did not have the same arrangement that the large packers did in regard to 9 per cent?

Mr. HORMEL. No; they have had a different arrangement.

The CHAIRMAN. What do you receive as president of the company in the way of salary?

Mr. HORMEL. \$35,000.

The CHAIRMAN. And what does your vice president receive?

Mr. HORMEL. He has a salary of \$5,000.

The CHAIRMAN. And what other officers have you that receive salaries?

Mr. HORMEL. The secretary.

The CHAIRMAN. What does he get?

Mr. HORMEL. I would say that the balance get a minimum cash salary, and then they have what we call "employees' stock."

Senator GRONNA. What was the capital stock of your corporation when you first started?

Mr. HORMEL. Less than a thousand dollars. We started in the retail market.

Senator NORRIS. The Senator asked you what was the capital stock of the corporation when it was organized.

Mr. HORMEL. Oh, the corporation. We incorporated, I think it was, for \$75,000.

Senator NORRIS. That was all paid in, was it?

Mr. HORMEL. Yes.

Senator NORRIS. And how much additional cash have you put into the plant since then? I do not mean profits now, but how much cash you have put in?

Mr. HORMEL. Most of that was represented by preferred stock.

Senator NORRIS. I don't care anything about that. You issued \$75,000 of stock, and you have grown now to be a corporation of \$750,000 of preferred stock, and \$2,200,000 of common stock?

Mr. HORMEL. Yes, sir.

Senator NORRIS. Now, what I am asking you is this: How much outside cash have you put in?

Mr. HORMEL. The outside cash capital is represented by the preferred stock, which is \$700,000.

Senator NORRIS. Then you put in after that \$625,000 in cash?

Mr. HORMEL. Yes.

Senator GRONNA. And all the rest has been profits?

Mr. HORMEL. Yes.

The CHAIRMAN. And you get \$35,000 salary?

Mr. HORMEL. That is just since last year.

The CHAIRMAN. And the only recommendation you have to submit is that Congress and the Federal Trade Commission let the packing business alone, severely?

Mr. HORMEL. Well, I would say to put the small packer in a position wherever when he wants the protection that he can go to the Federal Trade Commission and get that protection.

The CHAIRMAN. Yes. You would afford protection to the small packer; but so far as the public is concerned, would you adopt Vanderbilt's remark, "The public be damned"?

Mr. HORMEL. Oh, I would not say that.

The CHAIRMAN. Well, how could we arrive at any definite knowledge as to whether there was any well-founded grievance or not without some sort of an investigation? You seem to assume that this investigation is addressed against the packers. What the committee desires to do is to ascertain the facts. We have no disposition to hurt the packing business. It is indispensable to the consuming public and the producing public, both. If by any chance there should be a grievance which the consumers urged, we felt it was perfectly proper to hear those grievances; and if they are not well founded, the only way to ascertain that is to investigate, and if the consumers are in error, the only way to prove it is to ascertain the facts.

Mr. HORMEL. I would say that if any of the packers, no matter who it is, does anything that he should not do, it is perfectly right to investigate the matter.

The CHAIRMAN. Well, that is quite a confession. I think we appreciate it.

Senator GRONNA. Did you read in the newspapers last winter, or did you know, that there were a great many complaints made before this committee, and before both branches of Congress, as to treatment of stockmen and hog raisers?

Mr. HORMEL. I know they are generally dissatisfied, no matter what you do.

Senator GRONNA. Well, is it not possible that they caused the investigation, that that was the basis for it?

The CHAIRMAN. You say they are dissatisfied no matter what you do?

Mr. HORMEL. Well, there is a good deal of unnecessary complaint from that source. I won't make that statement, but here is the idea—

The CHAIRMAN. Do you not think that perhaps if part of this \$2,500,000 that you have reserved to yourself had been paid to the stock raisers it might have reduced their grievances?

Mr. HORMEL. Well, I tell you, if I was to pay my indebtedness and quit business to-day all I would have for my efforts is a great big stack of brick and mortar and useless machinery, and one thing and another. There is where my end of the profits would be if I was to quit business to-day. And, in order to get efficient machinery, and in order to cater to the public in an economical way, you have to make profits in order to be up-to-date with your facilities.

The CHAIRMAN. I think you are right about that. For my part, I want to see the packing business prosper, and every other business in the country prosper.

Senator NORRIS. All this machinery has been paid for?

Mr. HORMEL. Yes.

Senator NORRIS. And has been paid for out of your profits?

Mr. HORMEL. Yes.

Senator NORRIS. And you did not pay any dividends until you had paid all your taxes and your other charges?

Mr. HORMEL. Yes, sir.

Senator NORRIS. You say that if you quit business, that all you would have left would be your machinery and your buildings. Is not that true of any business? For instance, take a farmer. If he did not put in any wheat this year, of course, all he would have would be his land?

Mr. HORMEL. At the same time I am anchored there.

The CHAIRMAN. If there are no further questions you may stand aside, Mr. Hormel.

Mr. HORMEL. I thank you very much.

STATEMENT OF MR. JAMES S. AGER, OF CHICAGO.

The CHAIRMAN. What is your full name and address, and what is your business?

Mr. AGAR. James S. Agar, packer, Chicago; Union Stock Yards, Chicago.

The CHAIRMAN. What is the name of your company?

Mr. AGAR. The John Agar Co. I am president of the company.

The CHAIRMAN. That is an independent concern, is it?

Mr. AGAR. Yes, sir; it is independent.

The CHAIRMAN. What is the capital stock?

Mr. AGAR. \$415,000.

The CHAIRMAN. How much common stock and how much preferred stock?

Mr. AGAR. \$100,000 common and the balance preferred stock.

The CHAIRMAN. How old is your institution?

Mr. AGAR. Four years.

The CHAIRMAN. You are the president?

Mr. AGAR. Yes.

The CHAIRMAN. What is your compensation?

Mr. AGAR. \$15,000 a year.

The CHAIRMAN. What dividends did you declare last year?

Mr. AGAR. Six per cent on our preferred stock and 10 per cent on our common stock.

The CHAIRMAN. Was your common stock sold for cash or is it the result of earnings?

Mr. AGAR. Cash.

The CHAIRMAN. How much stock do you handle a year?

Mr. AGAR. About 300,000 hogs and 75,000 cattle.

The CHAIRMAN. What is your opinion in regard to the wisdom of the Government owning the stockyards?

Mr. AGAR. That is one of the reasons I appear to-day, to protest against the enactment or passage of such a bill. In my estimation, on account of the treatment that I have gotten, being in the packing business all my life, and having made a success of it under the individual interests, such as the handling of the stockyards, I feel that we get better service, both from the refrigerator-car proposition and the stockyards handling of the live stock, under present conditions than we would in any other way. I have had the honor of being in different conferences with Mr. Hoover, and have never been shut off by any of the packers, and never was in a market where I could not compete with them and where there was not keen competition, both as to buying and selling.

The CHAIRMAN. They have established a tolerance, have they?

Mr. AGAR. No, they have not established a tolerance for us.

The CHAIRMAN. But they do not interfere with you?

Mr. AGAR. No. And I think that for the ambitious young American the packing business is one of the best industries in the world.

The CHAIRMAN. Then you do not take a pessimistic view of the future?

Mr. AGAR. No.

The CHAIRMAN. I am glad to hear you say that. Why do you object to the Government owning the stockyards?

Mr. AGAR. Because the experience I have had in the getting of refrigerator cars from them, and the service they render—

The CHAIRMAN. You mean from the Government?

Mr. AGAR. From the Government or the administered roads now. They have not the proper equipment. The individual interests and corporations who have the right refrigerator cars have given us good service. We have never had any trouble in getting cars from them.

The CHAIRMAN. Do you mean from the packers?

Mr. AGAR. From the packers, and particularly the large packers. When we could not get cars anywhere else, our firm has been able to get cars from the larger packers.

The CHAIRMAN. Has the Government taken over the refrigerator cars?

Mr. AGAR. No; not so far as I know.

The CHAIRMAN. Then you have had no experience with the Government's handling that proposition?

Mr. AGAR. I testify from my experience in the past 15 years—

The CHAIRMAN. You mean the refrigerator cars owned by the railroads are inadequate in number, or do you mean they are inadequate so far as equipment is concerned?

Mr. AGAR. The equipment is not what it should be. They never seem to have the proper refrigerator cars, do not rehabilitate them. They are not good enough to ship perishable goods or beef in for any distance.

The CHAIRMAN. Do you mean the number of cars is insufficient, or the sort of cars is not right?

Mr. AGAR. The sort of cars is very unsatisfactory.

The CHAIRMAN. Then if they had a sufficient number of cars and the right sort, would you still object if they took over the packing plants?

Mr. AGAR. It would be a matter of apprehension on my part as to whether we would get the service that we get from the private interests.

The CHAIRMAN. You say you do not have any trouble in getting the refrigerator cars from the private interests?

Mr. AGAR. No, sir; we do not.

The CHAIRMAN. That is, from the big concerns?

Mr. AGAR. Yes.

The CHAIRMAN. And you think the same about the Government owning and operating the stockyards, do you?

Mr. AGAR. Yes.

The CHAIRMAN. Well, how do the producers feel about this?

Mr. AGAR. I feel that the packers have gotten closer with the producers during the last year than we had ever hoped to get with them; and I feel that the producers coincide in the views that I have expressed, that they are perfectly satisfied, the way we are treating the matter, and the way the packers are treating them; and the packers want to encourage the production of live stock. We have gotten together with them and have had very pleasant meetings. Of course, we have talked over the prospect of prices, and what they wanted, and how much it cost to raise their live stock, and we have come to an agreement, with the assistance of Mr. Hoover, on improving things, and making these things pleasant for all concerned.

The CHAIRMAN. Then, so far as you know, the situation is altogether lovely?

Mr. AGAR. Yes; I feel that way, sir.

Senator GRONNA. I would like to ask a question or two.

How much of the stock in this corporation do you own?

Mr. AGAR. Fifty-six per cent of the stock.

Senator GRONNA. Do any of the big packers own any of the stock in your company?

Mr. AGAR. Not a share.

Senator GRONNA. Do you own any stock in any of the plants of the big packers?

Mr. AGAR. No, sir; I am on the market for a turn, to buy a hundred shares of Wilson or a hundred shares of Swift or the International, when I see an opportunity.

Senator GRONNA. That is just as a matter of speculation?

Mr. AGAR. Yes, sir; for a turn-over, not for an investment.

Senator GRONNA. But you are really an independent plant?

Mr. AGAR. Positively independent; yes, sir.

Senator GRONNA. Disassociated with any others?

Mr. AGAR. Yes, sir.

The CHAIRMAN. How did you happen to come here?

Mr. AGAR. I pride myself on being public spirited and I read the newspapers; and, seeing these bills printed in our Chicago Tribune, and being here in Washington and seeing the Food Administration, on the allotments that we packers look for every month,

or have looked for, for sometime past, I simply came up here to this hearing.

The CHAIRMAN. And you want to give a certificate of good character to everybody concerned in the packing business?

Mr. AGAR. Yes, sir; I do.

The CHAIRMAN. All right. You are a light hearted optimist. I wish everybody else was so much so.

STATEMENT OF R. N. KATZ, OF ST. PAUL.

Mr. KATZ. Mr. Chairman, I am here to qualify as a witness opposing this bill, and also the bill that provides for the taking over of the stockyards and the refrigerator cars, away from the packers. I have been in this business for twenty years, handling beef only, no pork. I have been operating for about fifteen years. I have been operating my business most of the time away from the stockyards in St. Paul and Minneapolis, that is, at Midway, which is about twelve miles away from the yards. I have been operating on a small scale, going along making a living and saving money, but not very much. During those twelve or fifteen years I was approached by the Stock Yards Co., of South St. Paul. They said, why didn't I come down to do business there. They said I could do better at St. Paul. The slaughter house at Midway where I done business was an independent house, and the small fellows killed all the way from fifty to seventy-five or a hundred cattle a week. They would kill them and pay so much a head. The stockyards company offered me a piece of land if I would come down there and put up a little house; but my capital was not large enough to enable me to do so, and I could not go. My capacity out there was about seventy-five cattle a week. That was my utmost capacity. About five years ago, this last January, the first of the year, the stockyards company sent for me again and said, "Mr. Katz, we have a good proposition for you now. We only offered you ground to build a packing house on before, and you have not been able to do so, but now we have a little house that Mr. McCormick had, that he was running, and he went out of business, and the stockyards company bought that place"; and they said that they would be willing to lease it to me for a number of years, and so I said all right, and I took them up. And we got together and I got a lease for five years.

I started to operate that plant at South St. Paul, and I increased my business, and have done a good deal better than I had done at the other plant. The reason of that was that I could see right off where I done business. I done business under somebody else's roof. I had to dispose of my by-products to a party who had facilities to take care of them, and the plant where I was then there were facilities that I did not have before.

The CHAIRMAN. You mean at your new place?

Mr. KATZ. At the place which I leased; yes. And I went along under those conditions; and the Stock Yards Co. leased me the place at reasonable rates, and also helped me along as much as they could.

About two years or three years ago I bought a piece of ground from the Stock Yards Co. which I still own. I expect to build when conditions get a little better; but I increased my capacity from 75 cattle to about 300 cattle a week. That is my capacity now.

The reason for this, as I told you before, is by taking care of my by-products, which is to be credited to the big packers, because they all got the machinery and their mechanics are looking for improvements, whereby they could take care of these by-products, and I profited by it, in looking at what the big fellow was doing. And then I would do it on a small scale.

The CHAIRMAN. What big fellows are there?

Mr. KATZ. Swift. He is almost across the street from me.

The CHAIRMAN. And he handles your by-products?

Mr. KATZ. No; I handle them myself. But I profited by looking at what they did with their by-products.

The CHAIRMAN. Have you built your own plant-

Mr. KATZ. No; I still lease my place. My lease is up next month; my lease for five years; and I have negotiations for another lease for a couple of years or so.

The CHAIRMAN. Then you are leasing from the stockyards people?

Mr. KATZ. Yes, sir.

The CHAIRMAN. Did they tell you to come down here?

Mr. KATZ. Yes; we talked it over.

The CHAIRMAN. And your lessor suggested that it would be a good idea to come here, did he?

Mr. KATZ. In a way, and in a way I wanted to come myself. The reason is that a year ago last October, I think it is, when a Government man approached me, Mr. Baird; I think it was, he questioned me about the big packers; how I was getting along with them, and how the bank was using me, and how the competition was between us; and I told them the same thing, that the Stock Yards Co. brought me down there and helped me along all they could; and, as far as buying is concerned, it is competition, the same as any other market, but I am getting my share of it; and I am right by the side of the big packer, and I am progressing little by little.

The CHAIRMAN. Who owns the stockyards there?

Mr. KATZ. The Union Stock Yards Co.

The CHAIRMAN. What interests control it? Do you know whether there are any of the large packers that control it?

Mr. KATZ. I don't know whether they control it or not.

Senator NORRIS. Do you know whether Swift & Co. own any of that concern?

Mr. KATZ. Yes. I think they do.

Senator NORRIS. You are not sure of it?

Mr. KATZ. Yes, I am positive they do.

Senator NORRIS. How about Armour & Co.?

Mr. KATZ. I could not tell you about them.

Senator NORRIS. They have a plant there, have they not?

Mr. KATZ. They are just building a plant.

Senator NORRIS. Are you sure that the big packers own any of that stock yards? It may be an independent company.

Mr. KATZ. I know Swift owns stock in it. I don't know whether he owns the majority of it or not.

Senator NORRIS. Did you say that you talked it over with Swift's man before you came here?

Mr. KATZ. Yes; Mr. McGiveny, the president of the stock yards company. I happened to be there last week, and was talking about

my new lease on the house, and he says, "Did you see what was coming up before the legislature now?" He says, "Are you going to oppose it?" I said "I really ought to go, because when Mr. Baird was there and I explained all those things, then after that they had a hearing in St. Paul and they never called me as a witness." But he came to me personally and took my testimony and that is as far as they went.

Senator NORRIS. I am asking you about coming down here this time.

Mr. KATZ. Yes. Mr. McGiveny asked me to come here.

Senator NORRIS. That conversation took place at a time when you were there talking about a new lease?

Mr. KATZ. Yes, sir.

Senator NORRIS. Did you get the lease?

Mr. KATZ. We have not finished it, but I think I will get it.

Senator NORRIS. I think you will get it, too.

Senator GRONNA. Suppose you would favor the legislation of the Government owning the stock yards. Do you think you would get it then?

Mr. KATZ. I think I would, yes.

Senator NORRIS. Does the stock yards company pay your expenses for coming down here?

Mr. KATZ. Yes.

Senator NORRIS. He told you that he would pay your expenses?

Mr. KATZ. Yes.

The CHAIRMAN. He was very much interested in it, was he not?

Mr. KATZ. Yes, sir.

The CHAIRMAN. Mr. McGiveny showed a good deal of interest in it?

Mr. KATZ. Why, yes, sir.

Senator NORRIS. Why did he not have Swift or Armour come down here? They have bigger plants than you have.

Mr. KATZ. I don't know. They may come.

Senator NORRIS. Do you know whether he selected you because you were an independent packer?

Mr. KATZ. That may be so.

Senator NORRIS. Did you get a bonus for locating there?

Mr. KATZ. No.

Senator NORRIS. Did Armour get a bonus for locating there?

Mr. KATZ. I heard so.

Senator NORRIS. He got \$500,000, did he not?

Mr. KATZ. I heard so.

Senator NORRIS. And he gave Swift half of it?

Mr. KATZ. I don't know. I heard he got \$500,000.

Senator NORRIS. Then do you think they are treating you fair, comparatively speaking?

Mr. KATZ. I did not ask for anything.

Senator NORRIS. How many cattle do you kill?

Mr. KATZ. About 300 a week.

Senator NORRIS. You do not kill anything but cattle, do you?

Mr. KATZ. Cattle and calves.

Senator NORRIS. When you say 300 a week, that includes calves, does it?

Mr. KATZ. No, sir.

Senator NORRIS. How many calves do you kill?

Mr. KATZ. Fifty or 75 a month.

The CHAIRMAN. Do you know whether Mr. McGiveny got anybody else to come?

Mr. KATZ. I do not know.

The CHAIRMAN. He is here, is he not?

Mr. KATZ. Yes; he is here. So I gave my testimony at that time to Mr. Barrett, and they had a hearing after awhile in St. Paul, at which he called several witnesses, but he never called me.

Senator NORRIS. Do you object because he did not call you?

Mr. KATZ. I did not object. I thought he ought to come to see me personally, and taken my testimony as it should have gone into the record.

Senator NORRIS. It may be that after he talked with you he did not think it was necessary to take your testimony.

Mr. KATZ. He heard Mr. Barrett.

Senator NORRIS. He was an examiner for the Federal Trade Commission?

Mr. KATZ. Yes, sir; he was examiner for the Federal Trade Commission. I saw him here the other day.

About the buying, I started to tell you that ever since I have been there, I can not see any other way that it could be done; that thing is on a fair and square scale.

The CHAIRMAN. You think the present situation can not be improved?

Mr. KATZ. It can not be improved. I get all the cattle I can handle. Sometimes I buy a few more when there is a big run of cattle, as it helps along and we do our share towards taking care of the cattle offered.

Senator NORRIS. Are you incorporated?

Mr. KATZ. No, sir.

Senator NORRIS. You have your own plant individually?

Mr. KATZ. Individually.

Senator NORRIS. How much money have you in the business?

Mr. KATZ. Oh, \$75,000 or \$80,000.

Senator NORRIS. Do you keep an account of your profits each year?

Mr. KATZ. Yes, sir.

Senator NORRIS. Do you allow yourself a salary or anything of that kind?

Mr. KATZ. It is immaterial; there are no partners.

Senator NORRIS. You do not have to account for anything?

Mr. KATZ. I do not have to account for anything.

The CHAIRMAN. Do you know whether the producers and the consumers think that the situation is entirely satisfactory yourself?

Mr. KATZ. As much as I see of the producers. I see some of the dealers coming in with cattle or some of the farmers coming to raise their own cattle, and they seem to be satisfied, getting good prices for their cattle, which I think they do.

The CHAIRMAN. And you think it is the best thing for Congress to do nothing?

Mr. KATZ. That is all I can see about it. There is a mistake about the car situation. I own four refrigerator cars, and sometimes we run short of them four or five times in the last few years or so, and whenever I try to get a refrigerator car we have either got to wait

for it three or four days before we get it, or when we do get it we do not get the right kind. When we want a car for beef they send a car which is not fit for beef; it is not built for handling beef. They send us in a refrigerator car fit for handling by-products, but not beef, and we had to go to work and get ropes and make holes in each quarter of beef and tie them up to the rafters.

Senator NORRIS. How far away from St. Paul do you send your refrigerator cars, as a rule?

Mr. KATZ. Just to St. Paul, Minneapolis, and Duluth.

Senator NORRIS. Do you have any trouble getting cars back?

Mr. KATZ. Sometimes we get them back sooner and sometimes later, not always alike.

Senator NORRIS. Do you know what your cars travel on an average per day?

Mr. KATZ. I never kept track of it.

Senator NORRIS. Your trouble in that respect comes with the railroad company?

Mr. KATZ. Yes.

Senator NORRIS. Do they not sometimes get your cars loaded and send them on some place where they are delayed and you have trouble on that account.

Mr. KATZ. No; they bring them back without going any place else. But sometimes they are delayed some place; I don't know where. I kept on with those cars until I saw we could not get any satisfaction and I went up to Swift & Co., having seen that they had a good string of cars, and inquired whether they would let me have a car whenever I ran short. They said they would, and they let me have a car, and whenever we get a car from them it is a car fit to put beef in and refrigerated right, just what we want, and otherwise when we get a refrigerator car from the railroads there has not been ice in that car for two or three weeks, and we have got to keep that car iced 24 hours before the temperature gets down. Swift & Co. charge a reasonable price for using the car, and whenever we need a car they always let me have one.

Senator GRONNA. Was the condition that way when the railroad companies operated their own roads, or has it been improved since Mr. McAdoo took charge of the Railroad Administration?

Mr. KATZ. No; it has not improved.

Senator GRONNA. Is it any better or worse?

Mr. KATZ. In fact it has been a little worse. As I say, I do not want to have outside cars, but whenever I do have to have one it is always trouble to get one.

In regard to section No. 5, I do not see where we have got to do business where they make us buy cattle when we do not need any, because we always take care of the market. They say we can not lay down and not buy any cattle. If I go into the market and the cattle seem to be too high, I can always figure out what beef is worth, and those cattle can not be bought so I can sell the beef at those prices. I will not buy cattle that day, but will wait until the next day; or, when the weather is hot and we have got a cooler of beef, I can not move it when the market is not good, and then I can not buy cattle.

Senator NORRIS. You do think the bill compels you to buy cattle when you do not want them?

Mr. KATZ. It says so.

Senator NORRIS. Does it?

The CHAIRMAN. Have you talked that section over with anybody?

Mr. KATZ. I read it over.

The CHAIRMAN. Where did you get the bill?

Mr. KATZ. Right here.

Senator GRONNA. Is there pretty keen competition among the buyers?

Mr. KATZ. Yes; but the biggest competition is among the commission men, the sellers. I never saw any keener competition than they have there in any market in the world, or any market I know of.

Senator GRONNA. Do those commission men buy for the packers?

Mr. KATZ. I mean the sellers. They are always working for the trade—to get the trade. One commission man wants to show the shipper that he can get more from the other commission man.

Senator GRONNA. Do they put the price on them or do you put the price on them?

Mr. KATZ. They put the price on them. Of course, I can bid whatever I please, but they keep on offering until they get five or six or seven different bids. Maybe Swift will bid first and I after him, and maybe I will bid first and Swift will bid after me, and sometimes Swift will buy the cattle or any of us will buy them.

Senator GRONNA. Do not these big packers sometimes bid over you?

Mr. KATZ. They do, and sometimes I bid over them; it depends upon how badly we need the cattle.

Senator GRONNA. Does that happen very frequently?

Mr. KATZ. Oh, yes; and then Swift will bid and I will bid and Armour will bid, and maybe the fifth or sixth buyer will buy the cattle. So the commission man always hangs out for the last cent, because he wants to keep his trade.

The CHAIRMAN. Mr. Craig, of Detroit, said he would like to make a statement, and if he is here now we will hear him.

STATEMENT OF MR. JAMES CRAIG, JR., PRESIDENT PARKER, WEBB & CO., OF DETROIT, MICH.

The CHAIRMAN. Mr. Craig, state your full name, address and the business you are engaged in.

Mr. CRAIG. My name is James Craig, jr., president Parker, Webb & Co., of Detroit, Mich.

Gentlemen, I would not have testified this afternoon, except that there were one or two things which came up while I was sitting here that you have got the wrong impression on, and there are one or two things in this bill not touched upon that I would like to explain. I take it for granted that you are here for no uncertain purpose, and that if there are any wrongs, you want to rectify them and if there are not any; you do not want to do anything.

Senator NORRIS. You have got it just exactly right.

Mr. CRAIG. One question you asked about the appropriation now before you for the Food Administration. I, for one of the packers, Parker, Webb & Co., who have been getting some of these allotments, knew nothing about this appropriation. I do not think it was thought of until after the armistice was signed, and I do not think that the packers were taken into consideration when this appropriation was talked of. I think the appropriation was for the bene-

fit of helping the people over there who are starving. That is the way I understand it.

Senator NORRIS. Incidentally?

Mr. CRAIG (interposing). Incidentally, it will help us. If our Government does not take it, we will have to give to the Red Cross. We may all have to contribute to and raise money. We all figure that we have got to help them out some way, whether it comes out of our pockets through taxes or whether we contribute does not make any difference, and I do not care whether our Government does it or whether the Red Cross does it, we have all got to help them out, and England has got to help them out and all other countries have got to help them out, so that I do not think it has anything to do—I am sure it had nothing to do with the meat packers when it was first taken up.

There was another thing that I think Mr. Hormel said here that you do not quite understand.

He was in business 30 years. Suppose in 30 years he should have been able to make \$200,000. That is actually six per cent a year, and you will have \$12,000, and if you leave that in 30 years there will be \$60,000 accumulated. If you read that testimony he put in you will think he made an excessive profit. He did not grasp and I do not think you grasped it.

Senator NORRIS. He did not disclose, from a casual examination of his testimony, all of the profit that he did make, for the reason that the capital stock was at first \$75,000, and from time to time there was added to it until it was \$700,000; \$200,000 of that was added in a year.

Mr. CRAIG. Added that net cash to \$700,000?

Senator NORRIS. Added it to \$700,000, but we have no evidence as to just when it was added, with the exception of \$75,000 to begin with and \$200,000 last year. The balance was added in between sometime, and the interest to begin with. The dividend would only have been \$175,000. If that was not increased until recently it would have been a per cent that would have been something terrible.

Mr. CRAIG. If you made that in 30 years and kept it in your business at double interest. If you compounded that interest it is something like the bank, which was not a fair showing.

Senator NORRIS. It was not 6 per cent or 7 per cent on \$750,000 the first year nor second year nor twentieth year.

Mr. CRAIG. He has made a good thing of it, and probably he has made more than the most of us. He has made more than we have. But when you come to get down it looks like two, or three or four hundred per cent, when I do not think it would average 20 per cent.

Senator NORRIS. It would average more than 20, but we could not tell definitely.

Mr. CRAIG. The way he put it it looked awfully big when it really is not as large.

Senator NORRIS. If the \$750,000 had been paid in at the beginning of his incorporation, take the per cent they have paid, this other accumulation, and from the little figuring I have made here, it would have amounted in round numbers to about 20 per cent. Taking into consideration that the \$750,000 was not paid in until a great many years after, it would amount to, of course, a great deal more than 20 per cent. It is safe to say that he has made on every dollar he

has ever invested in the business 40 per cent; and that has been true from the beginning of the 20 years.

Mr. CRAIG. It showed a little larger than it actually is, and if you got a statistician to figure it out, I think you would find it does not look as big as his testimony.

Another thing I want to refer to is the banks. I see that you have asked some questions indicating that you think the larger packers have an influence that is prejudicial to the interests of the small packers. We are a small packer.

The CHAIRMAN. How did you get that impression?

Mr. CRAIG. How did we get that impression?

The CHAIRMAN. Yes.

Mr. CRAIG. Because we only——

The CHAIRMAN (interposing). I know, but you are raising, it seems to me, a lot of questions.

Senator NORRIS. I think the witness got that question from the question I asked the preceding witness. But I asked him that question because his statement was that the big packers had had sufficient influence with the big banks, and the big bankers connected with the big banks knew enough about the big packers so that they knew the big packers would not do anything? That was his idea, not mine.

The CHAIRMAN. That is just what I thought, that it grew out of the witness's statement and not the Senator's statement.

Mr. CRAIG. The big packer can not borrow any more money proportionately to his capital or borrow it any cheaper than an A No. 1 small packer. We borrow money through Hartford and New York; and a Hartford broker has told us there is only one packer in Chicago that gets as low a rate as we do, and that was three or four years ago, and that was Nels Morris. So that the big packer can not injure the small packer on account of banking facilities, provided the small packer is in proper shape to do the business.

Senator NORRIS. Do you mean to say that there never has been any financial squeezing made upon packers and men in other business by the banks?

Mr. CRAIG. Not a bank in Detroit would do that. Our bank, the biggest bank in Detroit, would not do it. In fact, occasionally Swift and Armour's paper comes up there for us to pass upon, and they ask me about it and we loaned them money occasionally.

The CHAIRMAN. Are you in the banking business?

Mr. CRAIG. I am a director of the First & Old Detroit National Bank; I am a member of the executive committee, and I go down to the bank every noon.

The CHAIRMAN. As a packer?

Mr. CRAIG. Just to spend an hour at lunch time down there nearly every noon and that is only incidental.

The CHAIRMAN. It has been alleged here, and the Pujo report undertook to demonstrate, that there was a pretty close corporation among the financial institutions of the country, and that they did sometimes refuse credit to deserving institutions.

Mr. CRAIG. I would doubt that very much. If they do, they are very short sighted, and I do not think any true business man would do that. It may have been done years ago.

The CHAIRMAN. I remember hearing one of the most distinguished citizens of this country say a friend of his had invented an improvement on agricultural instruments, and that he went to New York and presented to a financial institution, one after another, and each time he was asked whether he had taken that up with the International Harvester Co., and upon answering that he had not they refused at first to consider the advancement to start it. I have heard that alleged a great many times, and the truth is, one reason why we reorganized the financial system of this country was to enable men who are entitled to credit to obtain credit.

Whether it was because of all their troubles, we do not know.

Mr. CRAIG. So far as the packing business is concerned, I do not think you will find that condition existing.

Senator NORRIS. Do you think the packers would not do that?

Mr. CRAIG. I have not found any person who had any trouble in that way.

The CHAIRMAN. Why did the S. & S. Packing Co. go out of business?

Mr. CRAIG. They were pretty near on their last legs, and they had to go out of business.

The CHAIRMAN. Was their credit impaired?

Mr. CRAIG. That is what they told me.

The CHAIRMAN. Was their condition due to bad management or to the fact that some one tried to squeeze them?

Mr. CRAIG. I could not tell anything more than that, only they said they had to do something to save the concern. That is all hearsay, Senator Gore, and I know nothing about it. I am not in touch with the great business.

The CHAIRMAN. The big packers got control of the concern.

Mr. CRAIG. Wilson has got control, and, so far as I know, he is entirely independent of Swift and Armour. But you would probably know more about that than I do.

The CHAIRMAN. Who was Wilson with before he became president of Wilson & Co.?

Mr. CRAIG. He was with Nelson Morris a great many years. All I know is what I saw in the paper, that he gets a great big salary and that he was given a lot of stock to take up that work, which he would have to get in order to persuade him to leave the position with Morris to take up his present position. I do not know anything about it, but I did want to talk about the banks.

The CHAIRMAN. I did not know but what you were familiar with it when you said that none of this financial squeezing had been going on, but there is a pretty general impression that it has been going on; and if you know it has not, you are privileged to say so.

Mr. CRAIG. As far as our bank is concerned—and we have got \$8,000,000 or \$9,000,000—it would not have that effect. One man would get it just as quick as another, and one packer just as quick as another; and as far as our own borrowing is concerned, we can easily go out and borrow money as cheap as anybody.

Senator NORRIS. Are you sure about that?

Mr. CRAIG. I am sure.

The CHAIRMAN. You are a big bank, but you have to borrow large amounts of money sometimes?

Mr. CRAIG. Yes, sir. Since prices have gone up so high we have borrowed \$1,600,000.

Senator NORRIS. Do you think it would not be possible for any of the big institutions above you from whom you borrowed to squeeze you, for instance?

Mr. CRAIG. I do not think there is any more danger of their squeezing me than there is my being President of the United States to-morrow.

Senator NORRIS. Both of those things are possible if you would not limit it, and put the time next year instead of to-morrow.

Mr. CRAIG. I will answer you any way the committee pleases, and I know positively that there is no chance of their doing it, and there would not be any chance even if the big packers tried to do it.

Senator NORRIS. I have not intimated that it would do it or wanted to do it; I am talking about the power to do it.

Mr. CRAIG. They have not got the power to do it.

Senator NORRIS. I had an idea that there were very few banks in the country but what, if all the other banks turned against them, would be in a pretty hard row of stumps.

Mr. CRAIG. The president of our bank, when I asked him what he wanted to do, said "Borrow up to a half million and then come to see me." We could get \$750,000 from one bank. We only want \$1,700,000, and there are other banks where we could borrow two or three hundred thousand dollars, possibly, without going to New York.

Senator NORRIS. You do not conceive that there might be a possibility of that bank not lending you \$750,000 and the other not lending you \$1,000,000?

Mr. CRAIG. There is not any possibility of that.

Senator NORRIS. They have not got to loan you money?

Mr. CRAIG. They are very glad to loan us; if you were a banker you would be glad to.

Senator NORRIS. Very likely I would. But I would not have to.

Mr. CRAIG. They do not have to. You want to know this, and the facts are I know. We can borrow four times the money we need if we want it, and I do not like to borrow any more than I have to.

Senator GRONNA. You are on good terms with the big packers?

Mr. CRAIG. We have nothing especially to do with the big packers. We do not sell or buy from them more than three or four times a year. Then we may get a telegram from a broker saying, can we offer one or two cars of stock, and we quote a price, and do not know who they are going to sell it to.

Senator GRONNA. You have never had any trouble with them?

Mr. CRAIG. We have never had any trouble with them, but we do not do much business with them.

Senator GRONNA. Supposing you would be in pretty keen competition with them. Do you think that your opportunities for credit would be as good as they are now?

Mr. CRAIG. Perfectly as good. Let me give you an example: 10 or 15 years ago some one from Washington here was sent to Detroit to find out if the big packers were doing us any injury. They came into our office and we said, "What do you mean?" "Are they competing?" I said, "They are competing and if they were not here,

and we had this whole market, of course, we could make more money. But if they were not here somebody else would come in."

Senator GRONNA. Do they cut under your prices?

Mr. CRAIG. I have just one thing to ask of you. That was just about as the interstate law went into effect. If you will see that we get the same profits as the rest, the same freight rates from the railroads, if we can not take care of ourselves, we will go out of business. That is all I ask from the Government. If the public utilities that we can not control—which we do have now, but which we did not have 20 years ago—are available on equal terms is all we ask. As soon as we got the interstate law we began to grow, and we have grown right along ever since.

Senator GRONNA. But they do not send products into your territory at reduced prices nor do you send products into their territories at a reduced price?

Mr. CRAIG. We do not know what they send. There are five or six branch houses there, and they get a car every other day, and they send them in there, and we do not know what their prices are. They generally sell a cent or so under us. Ours is strictly fresh stuff, and we can usually get a premium for it on that account, though not very great, and the competition is keen.

Senator NORRIS. What is your capital stock?

Mr. CRAIG. Our shares of stock are 500 common, and 100 preferred.

Senator NORRIS. \$600,000??

Mr. CRAIG. Yes, sir.

Senator NORRIS. And you are the president of it?

Mr. CRAIG. I am; yes, sir.

Senator NORRIS. What is your salary?

Mr. CRAIG. \$29,000.

Senator NORRIS. Do you get any salary from the bank?

Mr. CRAIG. Only just fees. I am not an officer of the bank at all.

Senator NORRIS. You represent what would be commonly known as one of the small packers?

Mr. CRAIG. Yes, we are small packers.

Senator NORRIS. I think it would be interesting to have you explain to the committee why it is there are so many small packers all over the country here before the committee pleading for the big packers.

Mr. CRAIG. I am not pleading for the big packers, but I am just giving you our position. If you know anything that is wrong with the big packers I will be just as quick as any one to help you rectify it.

The CHAIRMAN. Have you seen Mr. Armour since you have been in the city?

Mr. CRAIG. I just went from here over to the House committee, and just as Mr. Armour was coming out of the door I saw him and I said, "Good morning, Mr. Armour," and that is all I said to him. I have not talked with him at all; I have not talked with any of the big packers. I am not in touch with them. Mr. J. Ogden Armour came to our place some 20 years ago selling goods for his father.

The CHAIRMAN. Have you seen any of the Swifts or Morrisises since you have been here?

Mr. CRAIG. I ran across them in the hotel, but have not talked about this testimony or consulted with them at all.

The CHAIRMAN. They are here in the city?

Mr. CRAIG. Some of them are here.

The CHAIRMAN. Yes.

Mr. CRAIG. I see two of them here now.

The CHAIRMAN. Who are they?

Mr. CRAIG. One is Mr. Creigh, of Cudahy & Co., and one represents Mr. Swift.

The CHAIRMAN. I did not mean representatives.

Mr. CRAIG. I have forgotten the names.

Mr. McMANUS. I can tell you the names. My name is R. C. McManus, and the other gentleman is named Robert Creigh.

The CHAIRMAN. Why is it only the small packers are doing us the honor of their presence in the committee room.

Mr. CRAIG. I do not know. Mr. Creigh just came in a few moments ago, and Mr. McManus was here when I came here.

The CHAIRMAN. How did you happen to come down here?

Mr. CRAIG. Mr. Taliaferro wired me that there was a very pernicious bill up for consideration.

The CHAIRMAN. Have you got his telegram?

Mr. CRAIG. No, I have not.

The CHAIRMAN. Go ahead and state what he said.

Mr. CRAIG. That it needed attention, and I did not see the bill until I got it here; and I have got one or two little things I want to speak about here, the way I read the bill. First, everybody has got to have a license. We have a license now until the end of the war.

The CHAIRMAN. It is working admirably, is it not?

Mr. CRAIG. I do not know that it works any better than if we did not have a license. I do not see any good or harm it does us at present. But why should we, just because we happen to handle meat, be licensed? Why should not people who handle grain, potatoes, and everything be licensed? Why should we have to have a license to do a legitimate thing while the others do not? I think it is class legislation against our business which the other people do not have to contend with. If everybody has to have a license we are willing to also. Unless we are doing something wrong and unless our business is harmful, like they consider the liquor business is harmful, I do not think we ought to be licensed.

As I read the bill, we are compelled to buy stock even if we think it is too high in price, because if we do not buy it they will say we are holding off to break the market. That is one of the very bad things in this bill, to my mind.

To be brief, we are compelled to sell when we think prices are too low. If we had to sell all our products in February, March, and April we would go out of business in a very short time. In the first place, there is no demand for them and they will not be bought, and then if we do sell them in July, August, and September, we would not have a pound of meat, and the people would have to pay 50 cents a pound instead of 15 cents. That is the pernicious thing in this bill. I am not finding any fault, but I just want to put that before you.

The CHAIRMAN. It is 50 cents a pound here.

Mr. CRAIG. I want to talk about another thing.

The CHAIRMAN. Go ahead with this point before you start off onto that.

Mr. CRAIG. Here is another thing. A common carrier can not deliver to a stock yards company if I or some other packer happen to own 10 per cent of stock in that company. This is one thing I want to say. If we five men sitting here own a stockyards company we have just got the interest of seeing that that stockyards company makes us a fair profit, but if we bring in a big packer he has the interest of seeing that it is improved, the interest of seeing that the stockyards is built up and has all the facilities it can have in order to supply all the packing business, with enough hogs to run his plant; and therefore I claim that it benefits the stockyards company to have people interested in it, and these stock yards would not have been here if they had not been people who really had to have them and had to go into the business; otherwise they would not have had them built.

Generally I am not for the big packer; I am just giving you the way we look at it from an independent packer's viewpoint. I may be wrong, and if I am you can correct me.

About these cars, the railroad companies are very short of refrigerator cars. If the big packing companies had not built these refrigerator cars and the railroad company had to build and supply them it would cause us to be short and they would be short as sure as you and I are sitting here.

The CHAIRMAN. You think it would be better to let the big packers own the refrigerator cars?

Mr. CRAIG. Unless you can see there is harm done, I think we would get better service if they would handle them promptly and efficiently, to help them out and help us out.

The CHAIRMAN. You would object to the railroads taking them over?

Mr. CRAIG. I would not object to the railroads taking them over if they could handle them promptly and efficiently.

The CHAIRMAN. What is your position? Do you want the railroads to take them over or not?

Mr. CRAIG. The refrigerator cars, I think, would be taken better care of and watched better and traced through better and kept out of the regular run of the railroad business, and you would get them back, I will not say twice as quickly, but they would be out only two-thirds as long as if the railroad company had them, and I think anybody who has had any experience knows that. They have their own force, and trace them through. The railroad company will not put their own force to tracing them through and getting them back.

The CHAIRMAN. That is the result of your experience?

Mr. CRAIG. That is the result of my experience.

The CHAIRMAN. You get satisfactory service, and you do not have any difficulty getting cars?

Mr. CRAIG. We have got satisfactory service. We do not get cars from the big fellows; hardly ever. We do not own cars. We get the Michigan Central Railroad to wire over to Swift & Co. to see if they will not permit us to use a car or two, and they have given

me what we needed, but I do not think we have gotten from them five cars in five years.

The CHAIRMAN. From the big packers?

Mr. CRAIG. Yes.

The CHAIRMAN. Whose refrigerator cars do you use?

Mr. CRAIG. The Michigan Central Merchants Dispatch, but some of them are awfully poor.

The CHAIRMAN. Your discussion of the refrigerator car business is purely academic. You do not care anything about it. You have not had any experience dealing with them, but you just simply do not want the Government to take over the refrigerator cars, notwithstanding you do not patronize them?

Mr. CRAIG. I do not care, but if the Government owns refrigerator cars we will not get the quick service.

The CHAIRMAN. Well, but suppose we require railroads to acquire refrigerator cars owned by the big packing concerns; you would be favorable to that?

Mr. CRAIG. If the railroads owned them. I do not think the railroads would give them the attention that the big packers would give them, because the big packers will keep them for their own use and they will be slower in movement in the hands of the railroads.

The CHAIRMAN. Would you not probably be able to get more cars if the railroads were required to own these refrigerator cars than you are now? You say you have some trouble.

Mr. CRAIG. We have some trouble at times. You take it when it first begins to freeze and they want these cars for vegetables, and then we might be short; at other times we get plenty of them.

The CHAIRMAN. You have no direct interest in who owns the refrigerator cars, the Government or the railroads; but you are of opinion we had better let it alone and let the big packing concerns continue to own them?

Mr. CRAIG. I think the railroads will give us enough cars, but if they have to supply both of them we will be a little short; that is the way it looks to me. Whether we will or not you can judge as well as I. I do not want to give an opinion on it, but that is the way it looks to me.

The CHAIRMAN. You stated a while ago that all you asked was that the public utility concerns see that you get fair rates?

Mr. CRAIG. That is it; yes.

The CHAIRMAN. Did you have some trouble about that formerly, before the Interstate Commerce Law went into effect?

Mr. CRAIG. We did. The lack of the Interstate Commerce Law is what built up these big companies years ago.

The CHAIRMAN. What?

Mr. CRAIG. They could ship freight from Chicago at 17½ cents, while to ship the same products from Detroit would cost us 23½ cents.

The CHAIRMAN. To ship it where?

Mr. CRAIG. To ship it to New York City. Look at that. They ought to have had a rate of 26 cents; they were getting a rebate and we were paying the full rate.

The CHAIRMAN. That would hurt you pretty bad?

Mr. CRAIG. Certainly it hurt us; we could not grow at all and never did grow; and if it had not been for the Interstate Commerce Law we would have been down yet.

The CHAIRMAN. Who was getting these rebates?

Mr. CRAIG. Everybody in business.

The CHAIRMAN. You were speaking about a certain line of people getting a rebate and you did not?

Mr. CRAIG. I mean all the big packers in Chicago, and I know they were getting it, because while I could not prove it—it is all hearsay, but I know it is so.

The CHAIRMAN. Why did you think they were getting it?

Mr. CRAIG. I knew the general freight agent of the Michigan Central Railroad quite well.

The CHAIRMAN. I did not mean that especially. For what reason did you think they were getting it?

Mr. CRAIG. The reason they were getting it was because they owned their cars—I guess they owned their cars—I will not say that. But they were shipping in trainloads. If you can make up a trainload of 50 or 60 cars and ship them right through you can ship it cheaper than to get a car here and there.

The CHAIRMAN. The big packers, owing to the fact that they had big shipments, used that to get the rebate?

Mr. CRAIG. They did it that time, but they could not do it now.

The CHAIRMAN. Do you think the law was necessary to stop them from doing that?

Mr. CRAIG. I think it was. I think it was necessary to stop the railroad companies. The railroad companies were fighting each other. One would say "You have got Swift's business. I want part of it. Hang it all, I am going to have that business," and I go over and offer Swift & Co. a freight rate of 5 cents less in order to get the business.

The CHAIRMAN. You think it was the railroad companies' fault?

Mr. CRAIG. It was the railroad companies' fault.

The CHAIRMAN. And not the packers?

Mr. CRAIG. The packers were in with it. If I had been a big packer then I would have done the same thing. It was a fair business, and if you come to me and offer to build my house for \$20,000 and this other man wanted \$40,000, I would give the contract to you; and that is the same principle.

The CHAIRMAN. You think the same principle applies to the public-service corporation?

Mr. CRAIG. Everybody should have the same rate, and they are getting it now.

The CHAIRMAN. You just said it was on the same principle as building a house.

Mr. CRAIG. I do not quite catch you.

The CHAIRMAN. You said it was on the same principle as building a house; that if you could get it built for less you would take the lesser bid; and I asked you if you think the same principle applies to public-service corporations?

Mr. CRAIG. I think public-service corporations ought to serve everybody alike, big and little.

The CHAIRMAN. And you think this was a good law to prevent the railroads from granting rebates?

Mr. CRAIG. I think it was a splendid law.

The CHAIRMAN. Do you think that law had the effect of preventing the big packers from using their power to obtain rebates?

Mr. CRAIG. I think so. I think it was one of the best laws we ever passed.

The CHAIRMAN. Do you not think that the railroads and the big packers could have been trusted not to do that?

Mr. CRAIG. I do not think so; not without the law.

The CHAIRMAN. Do you think that is the only evildoing that a railroad or big packer might ever be guilty of?

Mr. CRAIG. It is the only evil I ever knew of.

The CHAIRMAN. If the big packers would use their big business to hammer down freight rates—

Mr. CRAIG. They can not.

The CHAIRMAN. I do not mean now, but if they did use their big business to hammer down freight rates, and took advantage of that to hurt either directly or indirectly their competitors, might they not manipulate their refrigerator cars so as to help themselves and to hurt the competitors?

Mr. CRAIG. If you put it back and take away this law they could hurt us.

The CHAIRMAN. Can they not do that any way?

Mr. CRAIG. Not that I know of.

The CHAIRMAN. If they own the refrigerator cars they can?

Mr. CRAIG. I do not think they can.

The CHAIRMAN. They can refuse to furnish you cars.

Mr. CRAIG. They do not furnish us cars as it is.

The CHAIRMAN. Anybody that wants them—I think the big packing houses who own the refrigerator cars can manipulate them with almost the same effect and results as they did the rebates.

Mr. CRAIG. Not in any way, shape, or manner.

The CHAIRMAN. Why can not they refuse to furnish their competitors cars?

Mr. CRAIG. Let them refuse; we do not ask them for any cars.

The CHAIRMAN. You are pretty independent, but suppose there is somebody who wants those refrigerator cars and can not get them?

Mr. CRAIG. I think the railroad company should be made to furnish those cars.

The CHAIRMAN. Now, you are coming around right. Do you not think railroads ought to use them as common carriers?

Mr. CRAIG. I do not think they ought to, but I do not care so far as I am concerned.

Senator NORRIS. You say the railroad company ought to be required to furnish cars to the packers who do not need cars?

Mr. CRAIG. Yes; and if the big packers did not have cars they ought to furnish them.

Senator NORRIS. Why should not the railroad company, now getting back to the same principle that the public service corporation must treat everybody alike, be required to furnish the big packers just the same as small packers?

Mr. CRAIG. You will not get them to do it.

Senator NORRIS. Why should they not be compelled to do it?

Mr. CRAIG. They ought to be compelled to do it, but what the Government ought to do and what they actually are in Europe to-day are two different things.

Senator NORRIS. I know, but you are in favor now of requiring the railroads to supply the small packers with refrigerator cars.

Mr. CRAIG. I am.

Senator NORRIS. But you do not want them to interfere with the privately-owned cars of the big packers. Why not treat the big packer and the little packer just the same?

Mr. CRAIG. I am perfectly willing that they shall furnish them to the big packer, but I am afraid that they have not the capacity. They won't have the people go out, and we will suffer and they will suffer. But if they can go out and do it as well as the big packers are doing it now, I would be very glad to have it.

Senator NORRIS. You do not want them to take the refrigerator cars away from the big packers?

Mr. CRAIG. I do not care whether they do or not, so far as I am concerned.

Senator NORRIS. You think the big packers might suffer, and you do not want them to suffer?

Mr. CRAIG. I do not want anybody in our business to suffer.

Senator NORRIS. Exactly. The same thing you are asking for the big packer a favor that you do not ask for the small packer. You want the Government to furnish cars for the small packers, but not to furnish cars for the big packer, because it will not be as efficient?

Mr. CRAIG. If we were big enough—we could not go to work and run 50 or 100 cars. The overhead and the high salaries we would have to pay to efficient men acquainted with refrigerator cars—but if we were shipping a lot of dressed beef which required the best kind of cars, these tank cars instead of these old box cars, we would hate to have to depend on the Government to furnish them; that is all. I do not care who does it, but I am giving you the exact condition of affairs, and you can judge who ought to do it.

Senator GRONNA. Your idea is this, that if the big packers owned the cars you would stand a better show of getting your cars from the railroad companies?

Mr. CRAIG. That is the idea. I think they help the Government just so much. I do not think they are antagonizing the Government. If you had five cars and I had five cars, if you were short, I would let you have them.

Senator NORRIS. You think you would be on equal footing and competition so far as cars were concerned if that were true?

Mr. CRAIG. I think we are pretty near on equal footing now.

Senator NORRIS. You have not got the refrigerator cars now, and you want them. I want to know if the thing was carried out that you want, that you would feel that the big packers then would not have the advantage of you?

Mr. CRAIG. I do not think they have any advantage of us now.

Senator NORRIS. They have got the refrigerator cars and you have not; is not that an advantage?

Mr. CRAIG. What advantage is it? In shipping pork products it is hardly any advantage; in shipping beef there is some advantage.

Senator NORRIS. If it is not any advantage, you do not want any refrigerator cars, of course.

Mr. CRAIG. We have got to have refrigerator cars. But the railroad company can furnish us good enough refrigerator cars to do a pork packing business, but they can not furnish us always enough of the proper kind of refrigerator cars to do the beef business, and

the fresh meat will spoil if not properly insulated. That is all. I do not care who owns them.

Senator GRONNA. You say pork; you do not mean——

Mr. CRAIG. No. Fresh pork is another line of business

The CHAIRMAN. Do you know anything about Mr. Hoover's mission to Europe?

Mr. CRAIG. The only thing we know is what we hear from Mr. Snyder.

The CHAIRMAN. Who is Mr. Snyder?

Mr. CRAIG. Mr. Snyder is the man who has charge of the meat division and the provisions.

The CHAIRMAN. What do you hear from him?

Mr. CRAIG. Mr. Snyder, when we were down here the 8th of this month, read us a telegram or said he had a telegram from Mr. Hoover in which he was having a meeting with them over on the other side, and where they would require large quantities of meat or there would be 20,000,000 starved in Russia the coming winter, and also talked about Serbia and some other countries—I do not just remember the names; and as soon as they could get transportation and get arrangements made that they would need a lot of meat to keep them from starving.

The CHAIRMAN. Do you know what he meant by "arrangements"?

Mr. CRAIG. I suppose shipping arrangements, an arrangement with the other governments how it should be handled. Nothing was said about the financial part of it. I suppose the financial part was all taken care of. But the Belgian relief handle their business in fine shape, and I imagine that when they get through it will be all right. They talked about northern relief and southern relief; I suppose they will get one relief company to handle the whole thing, and when they do we will all have to contribute to that. I do not know anything about the finances.

The CHAIRMAN. You do not know whether it is a matter of private charity of public appropriation?

Mr. CRAIG. I never heard anything about a public appropriation at those meetings. The only thing I heard was that in the last two weeks, I guess, when I have seen it in the papers.

The CHAIRMAN. Mr. Hoover was working on that and wired that there would be 20,000,000 people starve unless arrangements were made, and that he thought arrangements would be made?

Mr. CRAIG. That is what I gathered from what I heard.

STATEMENT OF MR. SAMUEL O. T. NASH, PRESIDENT OF THE CLEVELAND PROVISION CO., PACKERS, CLEVELAND, OHIO.

The CHAIRMAN. We will now hear Mr. Nash.

Please state your full name, address, and business.

Mr. NASH. My name is Samuel O. T. Nash, president of the Cleveland Provision Co., packers, Cleveland, Ohio.

The CHAIRMAN. Have you connection with some packing company, Mr. Nash?

Mr. NASH. I am president of the Cleveland Provision Co.

The CHAIRMAN. And that is a packing establishment?

Mr. NASH. That is a packing establishment.

The CHAIRMAN. When was it established?

Mr. NASH. In 1856.

The CHAIRMAN. All right, if you have something you want to say to the committee, Mr. Nash.

Mr. NASH. Yes, I want to state what I consider a present condition of the independent packers as far as I know today. We were incorporated in 1876 and have been doing business under our present name ever since. We have gradually developed, doing a little more business almost every year. Last year our turnover was about \$28,000,000. We kill about 60,000 head of hogs, about 50,000 head of cattle, and from twenty-five to fifty thousand head of small stuff.

Senator GRONNA. What is the capital stock, Mr. Nash?

Mr. NASH. \$1,000,000.

Senator GRONNA. How is that arranged?

Mr. NASH. It is all paid in—fully paid in; \$1,000,000 capital, and between \$1,500,000 and \$1,600,000 surplus.

Senator GRONNA. It has been that ever since 1876 when you incorporated?

Mr. NASH. I am not quite sure. My father bought into the company about 1890; it has been that since then, and before that I do not know anything about the concern.

Senator GRONNA. Has there been any increase in the stock issues since that time?

Mr. NASH. No, sir.

Senator NORRIS. What dividends have been paid on the stock—have you a set amount?

Mr. NASH. No. The last 10 years it has never exceeded 8 per cent.

Senator NORRIS. And how much of a surplus do you have?

Mr. NASH. About \$1,600,000.

Senator NORRIS. When did that accrue?

Mr. NASH. It has been accruing for the last 20 years.

Senator NORRIS. In the last five or six years, how much have you been setting aside for surplus?

Mr. NASH. 1917 I think it was about \$200,000 surplus, and in 1918 it will be about \$300,000 surplus.

Senator NORRIS. What was it in 1916?

Mr. NASH. I think about \$150,000.

Senator NORRIS. And the year before that how much; do you remember?

Mr. NASH. My recollection is it would be \$100,000.

Senator GRONNA. It has been increasing?

Mr. NASH. It has been increasing the last two years; yes, sir.

Senator NORRIS. It has averaged about how much in the last five years?

Mr. NASH. In the last five years I should say from \$175,000 a year to surplus; maybe not quite that much.

Senator GRONNA. What is your salary as president, Mr. Nash?

Mr. NASH. \$15,000.

Senator GRONNA. And you have several other officers, I suppose. What are their salaries?

Mr. NASH. Our secretary-treasurer's salary is \$12,000, who is a brother of mine; and another brother, managing the beef business, gets \$12,000.

Senator GRONNA. That is all the officers you have?

Mr. NASH. No; we have a secretary and office manager, and I think his salary is \$4,500.

Senator GRONNA. The salaries amount to somewhere near \$35,000 or \$40,000 a year?

Mr. NASH. Of the executive officers; yes, sir.

I wanted to speak in regard to the packing business, which I have been in ever since I was a boy.

Senator NORRIS. First, before you go into that: This year you set aside about \$300,000?

Mr. NASH. Yes, sir.

Senator NORRIS. That, of course, represents the earnings?

Mr. NASH. Yes, sir.

Senator NORRIS. If they were all declared in dividends you would be able to pay, with the dividends, about 38 per cent on your capital stock?

Mr. NASH. Yes; on the capital stock, not including our capital investment.

Senator NORRIS. Not including surplus?

Mr. NASH. Not including that—it should be to include surplus.

Senator NORRIS. That is all yours, of course. You have earned it. It is only a question of whether you have not been earning too much. But all that surplus represents a profit above 8 per cent, does it not?

Mr. NASH. Yes, sir; it was above whatever we have paid in dividends.

We consider that we never have been able to pay more than that amount of dividends, because our business has been increasing, and we are increasingly larger borrowers every year, and we do more business, and the banks do not think that we earn any too much; and we feel we have got to scrimp our dividends in order to put back every penny we can and in the business—new business—greater turnover and greater borrowings.

Along some of the lines Mr. Craig was talking, I want to speak about the Interstate Commerce Commission. We did feel that we used to make ridiculously small earnings before that Interstate Commerce Commission was given fuller powers. We found it a very difficult business in those days, and I date the success of our business and other independent packers from that time, because the railroads were most violently discriminatory in this country in our business, and the Interstate Commerce Commission did regulate those rates to a great extent, almost entirely, and made them more just; and since then we have been able to make these few earnings.

The CHAIRMAN. You remember there was a great protest against the establishment of the Interstate Commerce Commission?

Mr. NASH. Yes, sir.

The CHAIRMAN. It was fought a long time by the railroads?

Mr. NASH. Yes; it was. I remember.

The CHAIRMAN. And the railroads, I suppose, had shippers protest against it. There were some of that class.

Mr. NASH. We were for it all the time and thought it was a great thing.

The CHAIRMAN. Is it your thought that in the long run the Federal Trade Commission might justify its existence as the Interstate Commerce Commission has?

Mr. NASH. That is very difficult—

The CHAIRMAN (interposing). That is a speculative question, and you need not answer unless you want to.

Mr. NASH. I really do not feel like an answer, because I have no proof of anything they have been able to do; I have no evidence of what they have done.

The CHAIRMAN. You think there is anything left to be done since the Interstate Commerce Commission was established, or is everything as it ought to be?

Mr. NASH. I can conceive that the Federal Trade Commission might do useful work in regulating business. I can see no particular objection to a commission that is formed to make business do what is right, because we want to do what is right, and I think all business should do what is right.

The CHAIRMAN. You think there are packing houses that take advantage of the discriminations before this Interstate Commerce Commission was established?

Mr. NASH. As I imagine that thing crept up; it was a matter between the railroads and the large shippers. We will not put the packers alone in that class. In those days the large shipper thought it was a perfectly legitimate thing for him to ask for a lower rate on a train load of freight as against the smaller man with one car to offer. That was the feeling of the time, and the packers along with other businesses took advantage of that feeling and got lower rates from the railroad companies.

The CHAIRMAN. Certainly.

Mr. NASH. Now they can not do it.

The CHAIRMAN. You think there are situations now which they can take advantage of?

Mr. NASH. In the railroad business?

The CHAIRMAN. In the whole business, controlling markets or crushing competitors. They were doing that in regard to the best of their competitors.

Mr. NASH. They were doing it.

The CHAIRMAN. And that revealed a disposition to take advantage of their competitors if they could.

Mr. NASH. I think they took advantage of their power and took advantage of their wealth; I think that largely corrected the situation.

The CHAIRMAN. You do not know of any hurtful competition now?

Mr. NASH. I do not think the big packers for the last ten years have been engaged in hurtful competition.

The CHAIRMAN. Cincinnati used to be the leading packing center of the United States?

Mr. NASH. Yes, sir.

The CHAIRMAN. How did it lose that supremacy?

Mr. NASH. I think it lost that because of the westward flow of population, the development of the great middle west and northwest; the development of the farming out there and the raising of live stock, and the live stock centers moved further west. I think it was a natural condition.

The CHAIRMAN. It was probably a natural consequence, whether the only one or not.

Mr. NASH. I think that was a very large influence.

Senator NORRIS. Where do you buy your stock mostly?

Mr. NASH. We have large stockyards in Cleveland.

Senator NORRIS. It is not a public stock yards, is it?

Mr. NASH. No, sir, it is a private corporation.

Senator NORRIS. Do you own the stockyards?

Mr. NASH. No; we own about 15 per cent.

Senator NORRIS. I meant, when I asked you about your stock, to inquire where it come from.

Mr. NASH. Oh, to our yards? It comes from Ohio, Indiana, and eastern Illinois, sometimes from Kentucky. We buy probably 60 per cent of our hogs in our home market, and buy largely in Indianapolis, sometimes in Chicago, and also Sioux City, and the river markets.

Senator NORRIS. Do you go southwest as far as Cincinnati?

Mr. NASH. Not often, but we do when the eastern hog market is pretty well cleaned up. We have to go westward for a large amount of our stock, but generally speaking at least the last two years Indianapolis and Cleveland has been able to supply us with all we wanted.

Senator NORRIS. Do you slaughter sheep, too?

Mr. NASH. Yes, sir.

Senator NORRIS. Where do they come from, mostly?

Mr. NASH. Mostly they come from Ohio.

Senator NORRIS. Small herds?

Mr. NASH. Ohio is quite a sheep growing country.

Senator NORRIS. I know it is, but compared with the western herds they would be called small herds.

Mr. NASH. Oh, yes; yes, sir.

Senator NORRIS. Most every farmer has a few sheep in Ohio?

Mr. NASH. Yes, sir.

Senator NORRIS. That is a very fine condition to have the farmers in.

The CHAIRMAN. Who owns the stockyards in Cincinnati?

Mr. NASH. I do not know. I think it is a private corporation there.

The CHAIRMAN. In Cincinnati?

Mr. NASH. Yes; but I do not know who the ownerships are. I have no knowledge of it. I know a few people who have stock in it, but I do not know them all.

Senator NORRIS. Are there any other packing establishments connected with these same stockyards?

Mr. NASH. At Cleveland?

Senator NORRIS. At Cleveland, where you are?

Mr. NASH. There are about four independent packers in Cleveland; and Swift & Co. have their plant there.

Senator NORRIS. What is your position with reference to refrigerator cars.

Mr. NASH. Well, while personally I do not see any objection, provided that they are going to be intelligently and discreetly managed. Who having the railroads owning all the refrigerator cars, specialized and otherwise. We own cars. I can not see what difference it makes if the entire car equipment is owned by the rail-

road companies, provided they keep an ample supply on hand to do our present business and our future business as it stands, and the other packers future business. I should think the packers would be glad to get rid of their refrigerator equipment—we would.

Senator NORRIS. You would be willing to leave that to the Interstate Commerce Commission, both as to the rates and otherwise.

Mr. NASH. Yes; I would be willing to leave anything in connection with railroad business to the Interstate Commerce Commission. I think they are the finest commission in the country, that I know of, in connection with our business.

The CHAIRMAN. Is there any other gentleman who desires to be heard tonight?

Mr. THOMAS CRAIG. Mr. Chairman, I am Mr. Craig, one of the credit people. Some days ago we sent a wire saying that we desired to be heard at some time. I am in no particular hurry, about that, and in fact, so far as Mr. Cudahy is concerned, the arrangement between him and myself is that when I thought there was going to be a blank space over in here I should let him know in Chicago and try to get him in. As I understand the hearings, Mr. Heney is still to be allowed an opportunity to talk.

The CHAIRMAN. My understanding was that he had finished. I was not here yesterday afternoon. Did he conclude, Senator Norris?

Senator NORRIS. I do not know. Let me suggest that we fix a time for Mr. Cudahy and these other gentlemen who are in Chicago and then put them on the stand.

Mr. CRAIG. If you will pardon me for making one other statement, I would like to say that, of course, I have seen the transcript of the hearings and have tried to keep in touch with what has been said in the hearings before you, and I was somewhat surprised to see the Chairman make a statement with respect to Mr. Shaw as representing the packers, and so on. In fact, in my wire to you I mentioned that there seems to be some inadvertence upon the part of the committee as regards the packers. I am speaking for the Cudahy people; they are entirely independent of any of the other packers. We want to make our independent showing, so as regards to making the appointment I want it clearly stated that I am talking with you for the Cudahy interests only, desiring to have you reserve special time for them so that we would have time to answer any statement made by the Trade Commission or others against the packers after their statements have been completed.

The CHAIRMAN. We of course, desire to give ample time to everybody to present his case and to represent his interest in the matter. Of course the time is coming when we will have to tighten down on the time. We will let that tightening apply to everybody equally and not discriminate against anybody. Of course we want to report the bill as soon as we can, and I think if Mr. Cudahy were here Friday the committee would hear him. That, I imagine, is as soon as it would be convenient for him to be heard. It is my understanding that Mr. Shaw does represent more or less the packers.

Mr. CRAIG. I can say that he has not and does not represent the Cudahy people, and in fact, I do not know this man Mr. Shaw, but that is a small detail.

I might say this also, that we from the Cudahy end regard this as a particularly serious proposition. We have made certain offers

with reference to having a hearing before the trade commission. We propose to go very thoroughly into this matter. We have a very large business, a very large investment, and it will take quite some time to state position in the trade and to try to enlighten this committee with respect to what we think the facts of the business and of our particular place in it are. Of course we have no desire to delay the committee in its consideration of the matter, but naturally not having any hearings with the trade commission and not knowing upon what evidence they make their startling charges, which we challenge as being utterly unfounded, we are somewhat disturbed as regards the status of the hearings, and we certainly want to get in where we will have a hearing after the trade commission end has been presented.

Senator NORRIS. We have not the trade commission bill before us.

The CHAIRMAN. The trade commission bill is with the Interstate Commerce Committee.

Mr. CRAIG. We are disturbed, as we find Mr. Heney surrounded, as I say, by a number of trade commission employees constantly. I see in the transcript that he announces that he represents a certain organization of farmers' unions, which, of course, is entirely proper; I take no exception to that. However, I do not like just the attitude or the logic of the farmers' union representative bringing in trade commission's secret records. That is one element, it seems to me, makes it difficult for us.

Senator NORRIS. Have you any objection to those records that the trade commission have brought in here?

Mr. CRAIG. I have this objection, that, as I propose to show you, I have tried for many months to get the trade commission to show to me any item that resembles evidence upon which they base the charges against our company. I have been unable to have them produce a single thing.

Senator NORRIS. If they produce anything, then, it will not hurt anybody.

The CHAIRMAN. I would think we would be rather indebted to those who have been making that public.

Mr. CRAIG. Precisely. I only want them to get it all in. I am very pleased with these hearings.

The CHAIRMAN. Mr. Heney was to conclude yesterday afternoon. I did not attend the afternoon session and I do not know whether he has finished or not.

Mr. CRAIG. It is understood that the Cudahys' want to be heard by the committee, and we can see on Thursday whether Friday will be convenient, or some other day which you may fix.

The CHAIRMAN. Have it arranged so that your people can be here Friday if it would be desirable. We want to give everybody a full and fair hearing.

(Thereupon, at 5.30 o'clock p. m., the committee adjourned until to-morrow, Wednesday, January 22, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

WEDNESDAY, JANUARY 22, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Hon. George Norris (acting chairman) presiding.

Present: Senators Norris, Page, Gronna, Kenyon, Wadsworth, jr., and France.

Senator NORRIS. Mr. Logan, you may resume your statement.

Senator KENYON. I have only a few questions to ask you, Mr. Logan.

Senator BAILEY. Mr. Chairman, after the examination yesterday afternoon, Mr. Logan felt that he had been interrogated about many personal matters which could not possibly bear any relation to the inquiry which this committee is pursuing, and he came to consult me about that.

After going over the matter with him, I concurred in his opinion, and I am here, as his counsel, to say to the committee that he is ready to answer any question which the committee may see fit to ask him, touching any matter of legislation which it is claimed he was either attempting to promote or to defeat. He is ready and willing to answer any questions touching his relation to any Member of the Senate, or any employee of the Senate, or anybody connected with the Senate.

He feels, however—and I think has a right to feel—that he is pursuing a very legitimate business, and, I may add, a very useful business. The evidence shows that he is employed by certain corporations to advise them as to their course toward the public, and he has been advising them to obey the law and respect public sentiment. I venture to say that if the corporations of this country had employed such an advisor 25 or 30 years ago and had followed his advice we would have escaped many evils of corporate management and the corporations themselves would have escaped many vexatious laws. That may all be a matter of very great interest to the public in one sense, but not in a legislative sense. It is not within the Senate's jurisdiction, and does not subject Mr. Logan to a senatorial inquisition, because it does not require him to concern himself about any legislative proceedings, nor has he done so. He has never talked with any Senator about any matter in which his clients were inter-

ested when pending in the Senate; and he has never attempted to influence the judgment of any Senator in any way.

Senator NORRIS. Senator Bailey, Mr. Logan's testimony has disclosed the fact that he is getting a salary from quite a number of corporations, and getting a salary from quite a number of publications.

Senator BAILEY. Yes; and he frankly disclosed that to the committee.

Senator NORRIS. Now, I think it is the idea of the committee that a man who is identified with newspaper publications and magazines of various kinds as an editorial writer and a news writer, and also drawing salaries from these various corporations, that the committee has the right to ascertain, if they can, what service he was performing and in what way, regardless of what it may be, whether it is Members of Congress or officers of the executive departments or any of those.

Senator KENYON. Senator, bear in mind, there is a bill in relation to the packers before the committee.

Senator BAILEY. I do.

Senator KENYON. Now, if he is employed by the packers I think it is perfectly proper for the committee to go into all he is doing in Washington which might, by any inference, be affecting legislation.

Senator BAILEY. Undoubtedly you have a right to inquire about anything he has done affecting or tending to affect legislation.

Senator KENYON. But if he has not done it, can not we show the circumstances from which an inference might fairly be drawn that it does affect legislation?

Senator BAILEY. Yes; but, for instance——

Senator KENYON (interposing). If he with money received from the packers dined Members of Congress, do you think that could be shown?

Senator BAILEY. No; I would not.

Senator KENYON. I differ with you.

Senator BAILEY. Unless it was shown that at these dinners there was some effort to influence the judgment of Senators—I confine it to Senators, because obviously the Senate committee has no right to inquire what happened with respect to Members of the House of Representatives——

Senator NORRIS. My idea has been that it should not be confined to Senators, and that we have the right to inquire as to anything that would influence legislation, whether in the House or in the Senate, or which would influence members of an executive department that had the letting of contracts or any governmental operations.

Senator BAILEY. Certainly, you have no right to inquire about Members of the House; and I do not think you have any right to inquire about executive officers, because if any misconduct has been practiced with them, or by them, it can only be punished so far as Congress is concerned by impeachment, which the House would prefer and the Senate would try.

You gentlemen, of course, are as familiar as I am with the only two cases on that subject in which it has been thoroughly discussed. The first case was decided by the Supreme Court, and is the rather

celebrated case of *Kilbourne v. Thompson*. There the Supreme Court held—

Senator KENYON (interposing). What is the citation, Senator; do you remember?

Senator BAILEY. I am not able at this moment to recall the volume, but the case is *Kilbourne v. Thompson*. There the Supreme Court held that *Kilbourne* was justified in refusing to answer a question, because it was not a question within the legislative jurisdiction of the House. The allegation in that case was that there was a real estate pool in this District. Now, mark you, Congress has exclusive legislation over this District. And it was further alleged that *J. Cooke & Co.*, who were in bankruptcy and who were debtors of the United States, were interested in that pool. So the House ordered *Kilbourne* to bring all of his books, and when he refused to comply with that order he was committed. He sued the Sergeant at Arms, who held him under the commitment, and the court held he was entitled to recover, because the House had no general inquisitorial powers.

The next case, and the only other one in which the matter has been fully considered, was the case of *Chapman v. the United States*. *Chapman* was a member of the firm of *Moore & Schley*, and the Senate directed an inquiry touching the speculations of Senators in sugar stocks while the old tariff bill was under consideration. Mr. *Chapman* was asked if his firm, during the month of February, 1895, had bought or sold any sugar stocks for any United States Senator, and the same question was asked in respect to March, April, and May. He was further asked if his firm was at that time carrying any sugar stocks for the account of any Senator; and he declined to answer any of those questions. The committee reported him to the Senate under section 102 of the Revised Statutes, and the Senate certified *Chapman's* refusal to the District attorney, as provided in section 104 of the Revised Statutes. He was indicted and he demurred to the indictment. The court held, properly, I think, that as the resolution of the Senate directing its inquiry related only to legislative matters in the Senate—to the tariff bill—and to the conduct of Senators, the charge being that bribes had been offered to Senators and—

Senator KENYON (interposing). Does that question arise on a question on investigation?

Senator BAILEY. It may. The Senate appointed a committee and authorized it to inquire into the truth of those charges. One was from the *New York Sun*, while another, I think, was from the *Philadelphia Press*, and on those publications they predicated the resolution, directing the committee specifically to inquire into the conduct of Senators in that regard. In deciding *Chapman's* case the court held that as inquiry related to a bill then pending in the Senate, and as it affected likewise the conduct of Senators who might be censured or expelled if these charges were substantiated, the question was properly asked, and *Chapman* was obliged to answer. But that case goes no further than to say that the Senate inquire into all efforts to promote or to defeat legislation by it and into all matters which concern the conduct of its Members.

Senator NORMAN. Let me suggest, Senator, that we would be glad to have you take a place here and sit down at the table and let the

examination proceed; and you can object, if you want to, and Mr. Logan can decline to answer, and we will make up the record and go on.

Senator FRANCE. Senator, may I ask two questions?

Senator NORRIS. Certainly.

Senator BAILEY. If the gentleman will permit me first to say this: I know that every Senator on this committee feels that American citizens are entitled to the privacy of their business, though no man is entitled to the privacy of any business if it requires him to promote or to defeat legislation by Congress.

Mr. Logan is ready now to tell you everything he knows touching any effort to promote legislation or touching his relation to any Senator.

Senator FRANCE. Senator, this is your position, as I understand it: We have not, of course, charged Mr. Logan with anything improper. But this is your position as counsel: That although it has been disclosed by the evidence that he is in the employ of certain corporations, it is not within the power of this committee to make inquiry of any of his relationships with the executive departments of the Government.

Senator BAILEY. I think that is clearly so. If there is impropriety on the part of an executive official, it is a ground for his impeachment, and the Senate has no power to prefer impeachment charges.

Senator FRANCE. Of course, the doctrine which you have enunciated is, in my judgment, a preposterous one, and for this reason: If there resides in the Congress the power to impeach, there must also reside within Congress the power to inquire into those matters which must be ascertained preliminary to the bringing of the impeachment proceedings. In other words—

Senator BAILEY. But you can not prefer impeachment—

Senator FRANCE. But if the Congress is making any inquiries whatever with reference to the relations existing between corporate interests and the executive departments it would, of course, be powerless to ever inaugurate any impeachment proceedings.

Senator BAILEY. No impeachment proceeding can be instituted by the Senate.

Senator FRANCE. I know; but the Senate is a part of the legislative department of the Government, as I now recall to you.

Senator BAILEY. Yes. But the Senate has no part in originating impeachment proceedings.

Senator FRANCE. That is perfectly true.

Senator BAILEY. The Constitution confines that exclusively to the House—and you have to try them.

Senator FRANCE. Now, Senator, you are bringing in something different. You said it was not in the power of the House to inquire into any matters excepting those relating to legislation in the legislative branch. You were not referring to the Senate when you made that statement, as I understand it?

Senator BAILEY. Congress consists of two bodies. The House can inquire into any matter concerning it.

Senator FRANCE. In other words, it would be perfectly proper for a committee of the House to question Mr. Logan with reference to his relationships to the executive departments but it would not be proper for the Senate to do so.

Senator BAILEY. I will illustrate what I mean by referring to what happened in this committee yesterday when Mr. Logan was examined at length about his relations with Mr. Hurley. If the House were to direct an inquiry into the conduct of Mr. Hurley with a view of impeaching him—I suppose he is a civil officer of the United States, and as such subject to impeachment. Now, if the House, with a view to impeaching Mr. Hurley, were to direct a committee to inquire into his conduct, then undoubtedly they would have a right to examine every man in the United States and make that man relate all he knew about Mr. Hurley's official and, perhaps, his personal conduct.

Senator FRANCE. Senator, do you wish to rest upon this doctrine—and, of course, we want to know your position——

Senator BAILEY (interposing). Certainly I desire you to know it.

Senator FRANCE. In order to pass judgment, Senator, you are aware that at the present time practically all of the important legislation originates in the executive departments?

Senator BAILEY. I am not willing to admit that on the record.

Senator FRANCE. You are aware of the fact, although you do not care to admit it.

Senator BAILEY. Not on the record. [Laughter.]

Senator FRANCE. The fact of the matter is that it is common knowledge that legislation does originate in the executive departments, and you, as counsel for Mr. Logan, are setting up this claim that even in view of the fact that legislation does originate in the executive departments, the legislative body, which must pass upon that legislation and enact it, has no power whatever to make any inquiry into any influences which might be at work in connection with the formulation of that legislation in the executive department.

Senator BAILEY. I think if you were to go to the courts you would find it difficult to persuade them that the power of the Senate can be extended by what actually happens contrary to the Constitution.

Senator KENYON. As long as the Senate has turned over all of its powers to the executive, do you not think we had better confine——

Senator BAILEY (interposing). If that be true, I think you had better adjourn and let the responsibility go with the power. I am one of the old-fashioned Democrats who believe that all communications between the executive departments and Congress ought to be in writing and ought to be formally presented. In other words, my view of the Constitution is that the President is authorized to communicate to Congress as a body, not to Congressmen individually.

In view of what has just been said, I will say further that Mr. Logan will answer any question which the committee wants to ask him about his relations to any officer of the Government——

Senator NORRIS (interposing). Including the private secretary of the President?

Senator BAILEY. Yes, sir. Mr. Logan himself insists upon answering all such questions, although I have advised him that he can not be compelled to do so.

Without detaining the committee any longer, will the chairman be good enough to give me a copy of the resolution under which the committee is acting? Are you sitting as a subcommittee?

Senator NORRIS. No; it is a full committee that is having hearings on Senate bill introduced here, S. 5305.

Senator BAILEY. But under no special resolution?

Senator KENYON. May I say the theory is that—and we, of course, have gone pretty far in this legislation—this bill is here for the regulation of the packers. We are trying to find out what influences have been and are being brought to influence—

Senator BAILEY (interposing). Either to defeat it or to secure its passage.

Senator KENYON. I want to be fair with you—not only that bill but the general packer situation here at Washington. We are doing that in connection with this bill. We have no resolution to do it. We will be perfectly frank about that.

Senator BAILEY. Of course, then you would not have any power under the general procedure to swear anybody, or to send for persons and papers, but we make no question about that.

Senator KENYON. We can get that power, of course, if necessary; and Mr. Logan himself asked to be sworn.

Mr. LOGAN. That is right.

Senator BAILEY. I have a habit of wanting to confine everything to what is material, and I said that much to Mr. Logan, but he insists upon answering every question which the committee may see fit to ask him about his relations to anybody in the service of the Government. He is not, however, willing that the committee shall compel him to disclose his purely private affairs. He feels just as every member of this committee would feel about making public his private business. There is nothing wrong in the bank account of any Senator on this committee, and yet he would not care to have it printed in the newspapers. It would not probably be so large as to excite suspicion, but it would probably be so small as to excite compassion. [Laughter.]

Mr. Logan is ready to answer any question that you ask him touching his relations not only with Senators but Representatives, and with any officer of the Government or touching any activity in which he has ever engaged with respect to legislation proposed or pending.

The CHAIRMAN. Take a seat there at the table, Senator Bailey.

Senator FRANCE. Before we proceed, however, in order that this whole question may be cleared up: Mr. Logan is not here on trial in any sense. We have not suspected Mr. Logan of doing anything improper. We are simply trying to get information.

Mr. LOGAN. And I am perfectly willing to give that.

Senator FRANCE. We do not wish our position to be misunderstood in that respect, I am sure.

Mr. LOGAN. I felt yesterday, Senator, that some of the questions could not possibly have any bearing on the issue before the committee, and that they were very personal; that they were questions that if they were asked of any Member of the Senate himself he would feel some reticence about answering.

Senator GRONNA. While you lawyers settle these legal questions, I want to take a recess for about 30 minutes to attend an old-fashioned Republican meeting.

Senator BAILEY. Caucus or conference?

Senator GRONNA. Conference.

The CHAIRMAN. The conference is to be held on a resolution of which I happen to be the author.

Senator GRONNA. I ask that the committee now take a recess for 30 minutes.

Senator NORRIS. That would be agreeable.

(At the expiration of 30 minutes the committee resumed their session.)

Senator NORRIS. We are ready to proceed.

Senator KENYON. Mr. Chairman, I think that this matter will, before we get through, go to the floor of the Senate, and that Senator Bailey should state if he represents Mr. Logan or if he represents anybody else.

Senator BAILEY. No; I stated—or, at least, I thought I did—that Mr. Logan came, after the examination yesterday, and asked me to appear for him, and I came here as his counsel.

Senator KENYON. You intend to object to certain questions, so I ask if you represent anybody else?

Senator BAILEY. No.

Senator KENYON. And do not represent any of the packers?

Senator BAILEY. I have no authority to speak for them and have no connection with them in any way. I come purely as counsel for Mr. Logan; and I want it understood, Mr. Chairman, that in advising Mr. Logan not to answer certain questions I was advising him purely as a matter of law to stand on his rights and not because I thought he has anything to fear from any investigation.

Mr. LOGAN. And, Senator, may I say that the employment of Senator Bailey was not suggested by Swift & Co. or anybody connected with Swift & Co., but was my own thought entirely.

Senator BAILEY. In view of Senator Kenyon's question and my answer to it, I desire to say that while I am not now representing the packers, or anybody other than Mr. Logan, I would not hesitate to represent any man or any corporation in this country in the protection of what I consider his or its legal rights.

Mr. LOGAN. And might I also say, Senator, that since I have been called before this committee I have not seen nor talked to any officer or employee or anyone connected with Swift & Co.

TESTIMONY OF MR. THOMAS F. LOGAN—Resumed.

Senator KENYON. You stated to us yesterday some salaries you were receiving. I think we asked you if you had any connection with the Shipping Board, and you said not. Have you ever received any salary from the Shipping Board?

Mr. LOGAN. I have not.

Senator KENYON. Or any agreement as to future salary?

Mr. LOGAN. I have not, except the conversation that I described to you on the other side, when Mr. Hurley suggested that I should be paid for my work, which he considered of considerable value to the Government, and I suggested that I would prefer not to be paid, because I thought I was doing a service for the Government.

Senator KENYON. This is still an open question?

Mr. LOGAN. It is still an open question.

Senator KENYON. You expect to be paid?

Mr. LOGAN. If I have my way about it I will not be paid.

Senator KENYON. You will not take pay unless they make you take it?

Mr. LOGAN. Unless—I believe there is some feeling in Congress that men should be paid by the Government for whatever service they render to the Government.

Senator KENYON. Did you go there in any official way?

Mr. LOGAN. I was appointed by Mr. Hurley as special shipping commissioner.

Senator KENYON. Was that by letter?

Mr. LOGAN. No; it was by appointment by Mr. Hurley and by verbal designation.

Senator KENYON. Do you know whether Mr. Hurley had any power from Congress under the law to make any appointment?

Mr. LOGAN. No; I do not know anything about it; and I did not inquire into it myself.

Senator KENYON. Did you keep any expense account when you were abroad?

Mr. LOGAN. I did not.

Senator KENYON. How were your expenses paid?

Mr. LOGAN. By some one in the party who had charge of the expenses. When I was outside the hotel I paid my own expenses—I mean when dining outside; I did not keep account of it at all.

Senator KENYON. You told us yesterday that your plant here was simply one of different plants around the country that are carrying on the business in the same way?

Mr. LOGAN. Yes, sir.

Senator KENYON. Where are there any other such plants?

Mr. LOGAN. I think it is reported in my testimony yesterday that Mr. Ivy Lee conducts a very similar business in New York.

Senator KENYON. Are there any others in the country?

Mr. LOGAN. I do not know; I have not inquired as to what business men are performing throughout the country.

Senator KENYON. You spoke yesterday of having such men in your employ?

Mr. LOGAN. Yes, sir.

Senator KENYON. As writers for newspapers?

Mr. LOGAN. Yes, sir.

Senator KENYON. Do they spend their entire time on that?

Mr. LOGAN. Yes, sir. Mr. Easton and Mr. Blackley spend their entire time in writing for the newspapers, as does Mr. Saunders. Mr. Luckett also does considerable transcribing and stenography for me—I mean in my other office.

Senator KENYON. Do they visit the Senate and the House?

Mr. LOGAN. I believe Mr. Blackley and Mr. Easton do so.

Senator KENYON. Are they in the Press Gallery of the Senate?

Mr. LOGAN. Yes, I believe they are; I know they are.

Senator KENYON. Do they make reports to you of matters in Congress?

Mr. LOGAN. No.

Senator KENYON. Do you supervise their writings?

Mr. LOGAN. No; I have not been doing that at all, because in the years that they were employed by me I gained confidence in their work and in their ability, and as I have told you before, I had been planning for some time to release myself entirely from any connection of any kind with the newspaper business, and my hope was that

I would be able to turn over to these men the newspaper business I had built up.

Senator KENYON. But you do maintain supervision, of course, over that work of your bureau, do you not?

Mr. LOGAN. Senator, I mean to say to you very frankly that I do not.

Senator KENYON. You do not?

Mr. LOGAN. They hardly ever come to my office, and I have not been in the newspaper office there for—well, I think I have been there once in three or four months.

Senator KENYON. They come to you for their salaries, however?

Mr. LOGAN. No; my secretary pays them.

Senator KENYON. And you can stop any article going out, if you desire, of course?

Mr. LOGAN. I can answer that best by saying I have never made a suggestion to anyone in my employ as to what they should send or should not send. They use their own news judgment.

Senator KENYON. Do they make any reports to you?

Mr. LOGAN. None at all.

Senator KENYON. Do they ever talk to you?

Mr. LOGAN. Yes; frequently.

Senator KENYON. Do they talk over matters in Congress and outside with you?

Mr. LOGAN. They have frequently told me the way some story was played or that the paper did not take some story, or something of the kind.

Senator KENYON. Do they talk to you about legislation in Congress?

Mr. LOGAN. I can say honestly that I have never discussed any question of legislation or any legislation affecting any of my clients with any of the newspaper writers in my office, nor have I sought any news from them, because it was not in the line of my work.

Senator KENYON. How often did you make reports to Swift & Co.?

Mr. LOGAN. Well, I have probably made—when I was first with Swift & Co. I probably made one in two weeks, and it was usually with reference to advice that I had given them previously. Recently I have seen them almost entirely and have not corresponded with them, but they have come to my office for advice.

Senator KENYON. How frequently?

Mr. LOGAN. I would say possibly once or twice a month, when we would have quite long conferences.

Senator KENYON. You remember the time of the Borland resolution?

Mr. LOGAN. Yes, I remember that.

Senator KENYON. When it was introduced?

Mr. LOGAN. Yes; in a general way.

Senator KENYON. Can you give us the year?

Mr. LOGAN. No; I can not give you the year, but I think it was introduced long before I went with Swift & Co.

Senator KENYON. Before you went with them?

Mr. LOGAN. Yes, sir; I think a considerable time before.

Senator KENYON. You remember there was a long delay in Congress over that?

Mr. LOGAN. Yes; I do.

Senator KENYON. There were a great many attempts about that time to investigate the packing business in the country?

Mr. LOGAN. Yes; quite a good many; and it may interest you to know that I said to them at various times that they should court an investigation. I pointed out to them, however, that they had been usually made the subject of political investigations; that they should urge upon every opportunity, when they could do so publicly, a complete investigation of the meat business, from the calf to the consumer, and that only in that way could any real service be done to the public; that the public was entitled to know, if excessive profits were being taken anywhere, where the excessive profits were being taken; that it might prove that a reduction of the cost of the original product would be necessary in the interest of the consumer.

Senator KENYON. Did you advise with them or write to them concerning the bill which this committee has before it—the Kendrick bill?

Mr. LOGAN. At no time.

Senator KENYON. Have you looked over the Kendrick bill?

Mr. LOGAN. I have not.

Senator GRONNA. Senator Kenyon, may I ask him one question?

Senator KENYON. Go ahead.

Senator GRONNA. Did you suggest to Swift & Co. who should make this investigation which you suggested?

Mr. LOGAN. I said to them, that any investigation by anybody should be an economic investigation; it should go into the cattle business, the stock-raising business, the meat-packing business, and the retail business; and if it did so, it would be of real service to the country, and that even if such an investigation should hurt them it would be better for them to be hurt, so that the truth might be known.

Senator GRONNA. But you did not impress upon them any idea as to who should make this investigation, either the Agricultural Department or some committee of Congress or any particular body?

Mr. LOGAN. Yes; I may have discussed that with them. But I have always said to them that whether such an investigation was made by Congress or by the Department of Agriculture or by the Federal Trade Commission, if it were an economic investigation it would be the best thing for the country, and it would be more serviceable to them in the long run to let the whole truth come out, not part of the truth.

Senator GRONNA. Yes; but then you recollect whether you made the suggestion that it ought to be made by the Agricultural Department?

Mr. LOGAN. Well, I may have. If you will take my testimony as a whole, you will see I could have no particular preference as to the investigation.

Senator GRONNA. I was just trying to find out if you did or did not suggest to the packers that it would be better to have the investigation made by the Agricultural Department?

Mr. LOGAN. I am inclined to think that I may have done so, because my own conclusion right now would be this: That Congress is not in a position to conduct such an investigation as I understand it,

whereas the Department of Agriculture could follow the product from the calf to the consumer.

Senator GRONNA. And the department would have information which any committee of Congress, of course, might not have.

Mr. LOGAN. That is what I think.

Senator GRONNA. Did you see any officer of the Department of Agriculture and talk to him about that?

Mr. LOGAN. No; I did not.

Senator KENYON. Who were the parties representing Swift & Co. who came to see you and advise with you here?

Mr. LOGAN. Mr. Louis F. Swift, Mr. Veeder, and Mr. McManus.

Senator KENYON. Their visits were rather frequent?

Mr. LOGAN. Yes; fairly frequent.

Senator KENYON. Concerning the question which Senator Gronna asked as to the advice you gave them as to the investigation, did you talk to Mr. Hurley about that?

Mr. LOGAN. At no time; and I should say, Senator, that at the time Mr. Hurley was chairman of the Federal Trade Commission I not only was not employed by Swift & Co., but did not know anybody in Swift & Co.

Senator KENYON. Did you know Mr. Hurley in 1917?

Mr. LOGAN. I knew Mr. Hurley all the time he was chairman of the Federal Trade Commission.

Senator KENYON. Were you employed by Swift & Co. in 1917?

Mr. LOGAN. No; I distinctly recollect that Mr. Hurley was not chairman of the Federal Trade Commission then—when I was employed by Swift & Co.—that is my recollection.

Senator KENYON. You knew Mr. Hurley in 1917 all the year, did you not?

Mr. LOGAN. I knew him from the time he became chairman of the Federal Trade Commission.

Senator KENYON. That was before 1917?

Mr. LOGAN. Then I knew him all during that time—I mean, if he was chairman in 1916, I knew him then.

Senator KENYON. And you were employed by Swift & Co. during that time?

Mr. LOGAN. My recollection is, Senator, that I did not have employment by Swift & Co. until after Mr. Hurley ceased to be chairman of the Federal Trade Commission.

Senator KENYON. I am not asking you that. Can you not tell us when you were employed by Swift & Co., and how long you have been employed; and then the records will show when Mr. Hurley became chairman of the Federal Trade Commission?

Mr. LOGAN. Senator, would you permit me to look up the exact date and put it in the record later?

Senator KENYON. Yes; but if you will in a general way state how you were employed during the last five years, continuously?

Mr. LOGAN. I think it was the last two years.

Senator KENYON. But you are very confident that you were employed at the time Hurley was chairman of the Federal Trade Commission?

Mr. LOGAN. My recollection is that I was not employed until afterwards.

Senator KENYON. Did you have any knowledge of the correspondence between Mr. Hurley and the President with reference to an investigation of the packers, or between Mr. Kent and the President?

Mr. LOGAN. None at all.

Senator KENYON. You do not know whether Mr. Hurley recommended the same kind of an investigation that you are recommending?

Mr. LOGAN. No; I think that I saw references to Mr. Hurley's letter in the newspapers some time after that, that he recommended an interdepartmental investigation.

Senator KENYON. By the Department of Agriculture and Commerce and others?

Mr. LOGAN. Yes; and the Department of Justice. I think that he suggested that the Department of Justice ought to be represented.

Senator KENYON. You understood when the Borland resolution was delayed so long that a committee called on the President with reference to an investigation—Congressmen Kent and others?

Mr. LOGAN. Yes.

Senator KENYON. And the President, then he took the matter up with Mr. Hurley?

Mr. LOGAN. I did not know that he had taken the matter up with Mr. Hurley.

Senator KENYON. You did not know that he had done that?

Mr. LOGAN. No, sir.

Senator KENYON. You have seen the letters which have been placed in this record on that subject?

Mr. LOGAN. No, sir; I have not seen any record at all except my own testimony.

Senator KENYON. Did you ever talk with Mr. Hurley at all about the investigation of the packers?

Mr. LOGAN. Never.

Senator KENYON. Did you ever urge on him that they ought to be investigated in this way you speak of?

Mr. LOGAN. No, Senator. And I might add that I have never urged upon anybody that they should be investigated in this particular manner; I mean, except the packers themselves, Swift & Co.

Senator KENYON. You have suggested then the methods of investigation?

Mr. LOGAN. Yes. But the method of investigation that they should court; I have suggested that to them.

Senator KENYON. Do you know whether Mr. Hurley in any way tried to stop the investigation?

Mr. LOGAN. Well, I would say, from my knowledge of Mr. Hurley, that it is not at all like him.

Senator KENYON. It is not at all like him?

Mr. LOGAN. No.

Senator KENYON. Or whether he attempted in any way to divert the investigation to the Department of Agriculture?

Mr. LOGAN. I feel quite sure that that would not be like Mr. Hurley. I think that he might see the need for an investigation that would be complete and comprehensive. I do not think that Mr. Hurley is much of a politician or pretends to be much of a politician.

Senator KENYON. You say he pretends to be?

Mr. LOGAN. I say I do not think he pretends to be much of a politician.

Senator KENYON. You were very friendly with Mr. Davies when he was on the commission?

Mr. LOGAN. Yes, sir.

Senator KENYON. And when you sent the packers notice of Mr. Hoover's appointment did you procure that information from Mr. Davies?

Mr. LOGAN. No, sir.

Senator KENYON. Where did you secure it?

Mr. LOGAN. As I told you in my testimony yesterday, Mr. Bennett, of the Post, told me about it.

Senator KENYON. Is he in Washington?

Mr. LOGAN. Yes.

Senator KENYON. Can you give the exact date that you wrote the packers about that?

Mr. LOGAN. I think that is in your record.

Senator KENYON. Yes; I think it is, too. I think it was May, 1917.

Mr. LOGAN. That is when I saw it. I saw when it was mentioned in the investigation in Chicago, I mean the Federal Trade Commission investigation. My letter was read into the record at that time.

Senator KENYON. You do not remember now, as an independent matter, when you notified the packers that Hoover was to be appointed?

Mr. LOGAN. Well, the date of that letter was May 17.

Senator KENYON. My recollection is so; I would not be confident of that, that it was May, 1917.

Mr. LOGAN. Then I would like to make this statement, Senator, that I accept that date. I imagine that it was about May, 1917.

Senator KENYON. I do not want you to be bound by it. I am merely giving my recollection of the time.

Mr. LOGAN. It is not important anyhow. But for three or four days prior to that it had been mentioned in most of the newspapers that Mr. Hoover was to be appointed. It was generally taken as a foregone conclusion that he would be appointed. As I told you before, I read the newspapers very carefully and call attention to the matters that I think the packers should be advised on and to which their attention should be called.

Senator KENYON. And did you get this information as to Hoover's appointment from the newspapers?

Mr. LOGAN. It was in the newspapers, and at that time I was devoting some of my own time to the newspapers, and the next day—

Senator KENYON (interposing). If it was in the newspapers, why did you have to notify them? Did they not read the newspapers as well as you?

Mr. LOGAN. As I have told you before, that is part of the work I have been performing for Swift & Co., to call their attention to public developments.

Senator KENYON. Did you have advance information as to Hoover's appointment?

Mr. LOGAN. Yes. I think a great many people had. I think all the newspapers had advance information of Hoover's appointment, and all of the newspapers printed advance information of his appointment. The information was not obtained from any official.

Senator KENYON. What do you mean by that, that they were given the notice of appointment to hold until released?

Mr. LOGAN. Oh, no; that it was foreshadowed by developments. I think that Mr. Hoover's work in Belgium made him the logical man to head the Food Administration, and I think he was discussed in every newspaper in the country.

Senator KENYON. Then you answer my question if you say you did not convey to the packers any information of Hoover's appointment previous to the time that the general public got the information.

Mr. LOGAN. Yes; I called their attention to it. And, Senator, I might say in addition to that that the same evening I wrote them I wrote a story for the Philadelphia Inquirer at much greater length, and it was printed in the Philadelphia Inquirer, and it appeared in the Inquirer next morning.

Senator KENYON. Mr. Logan, you told us yesterday that you were a rather intimate friend of Mr. Tumulty.

Mr. LOGAN. I made that statement in answer to a question that was asked as to whether I was a friend of Mr. Tumulty.

Senator KENYON. Have you in your friendship with Tumulty discussed these general public matters?

Mr. LOGAN. At no time.

Senator KENYON. Have you held that out in any way to your clients as any reason for your employment?

Mr. LOGAN. I have never sought employment, Senator; I have never solicited employment, Senator; I have been employed as an adviser, without regard to whom I know or do not know.

Senator KENYON. You and Mr. Tumulty were together a great deal, were you not?

Mr. LOGAN. Yes; and a great many other people also. Senator, I can see very readily how if you select a few of my friends you can draw inferences.

Senator KENYON. I am not drawing inferences. I am just trying to get the facts.

Mr. LOGAN. The fact is I know a great many people in Washington, many of whom I am fortunate in having as my friends.

Senator KENYON. When did you become acquainted with Mr. Tumulty?

Mr. LOGAN. Immediately after he came here as Secretary to the President.

Senator KENYON. You soon after that adopted the policy of lunching with him practically every day?

Mr. LOGAN. No; I did not.

Senator KENYON. You did for some time, did you not, at the Shoreham Hotel?

Mr. LOGAN. I have lunched with him very frequently; I have not lunched with him every day.

Senator KENYON. But it was a sort of a general matter that you and he met for luncheon at the Shoreham Hotel, was it not?

Mr. LOGAN. I frequently met him at the hotel when I lunched there. I also lunched at the Willard and at other places. I must eat my lunch somewhere, Senator, and Mr. Tumulty eats at the Shoreham. He happens to eat at the Shoreham, as a great many people are aware. The Shoreham has a very good café.

Senator KENYON. Did Mr. Hurley join in these lunches?

Mr. LOGAN. Hardly ever, once or twice—sometimes, and so also did other people. I think there are usually four or five people that lunch with Mr. Tumulty.

Senator KENYON. Did Mr. Veeder join you at any of these lunches?

Mr. LOGAN. Never; to the best of my knowledge Mr. Veeder has not met Mr. Tumulty. I do not know whether he has or not, but I have never introduced Mr. Tumulty to any of my clients.

Senator KENYON. Did you have any expense account with your clients for the entertainment of public officials here?

Mr. LOGAN. I answered that question here, Senator, when I said I rendered no expense accounts at all and received no expenses.

Senator KENYON. You say now you never have rendered any expense account to Swift & Co. and have never received any expenses from Swift & Co.?

Mr. LOGAN. I do, Senator.

Senator KENYON. For entertainment?

Mr. LOGAN. I do, most emphatically.

Senator KENYON. I asked you a few questions yesterday. I do not know whether I want to inquire further about entertainment, but you have been a rather lavish entertainer here?

Mr. LOGAN. Senator, I really think that question unfair.

Senator KENYON. Unfair?

Mr. LOGAN. But I am going to answer it, nevertheless. I have entertained my friends, if you call entertaining them inviting them to dinner. I usually do not suggest to my wife the guests who are invited.

Senator KENYON. You have entertained Members of Congress rather frequently and lavishly, have you not?

Mr. LOGAN. I have not.

Senator KENYON. The reports in the papers and the society columns in which you appear very frequently, are incorrect as to those things?

Mr. LOGAN. No; they are not, I imagine. I have never furnished any lists of my guests, nor do I invite the guests to my house myself. I think that this line of questioning, Senator, if I may be permitted to say it, is extremely personal.

Senator KENYON. And unfair?

Mr. LOGAN. And unfair.

Senator KENYON. Well, I am not going to follow it. But would you think if you entertained Members of Congress and at the same time were drawing a salary from packers that helped to pay for those entertainments that it would be unfair to ask you about it?

Mr. LOGAN. Senator, I think that you could get at what you are apparently trying to get at by asking whether at any time I have discussed with any Member of the House or Senate any matter pertaining to legislation or any matter pertaining to the business of my clients. If you will ask me that question I will answer it.

Senator KENYON. I will tell you frankly what I think, and it may be entirely wrong. I think a social lobby is about as effective on legislation as is any other kind of a lobby.

Mr. LOGAN. If it is never even mentioned to them and they do not know my business and I never discuss my business with them?

Senator KENYON. At the particular time of the ball such as reported in the paper of February 7, that you gave at the Willard Hotel and other things that I have?

Mr. LOGAN. Would you let me see that?

(Senator Kenyon thereupon handed to Mr. Logan newspaper clipping.)

Senator BAILEY. Mr. Chairman, I am sure Senator Kenyon does not want to put into this record on this kind of an occasion the names of the ladies who might happen to have been there?

Senator KENYON. I am not putting it in.

Senator BAILEY. I agree with you, if there are any efforts at social blandishments to influence Congress it is the most effective lobby there is.

Senator NORRIS. I think Senator Kenyon might ask any particular persons whether they were there or not.

Mr. LOGAN. Yes; but I think it would be much more to the point if the Senator would ask me if I at any time asked—

Senator NORRIS. He could ask you that or not, as he sees fit.

Senator KENYON. You perhaps invited all of this committee to a ball at the Willard. I do not know whether any of them can dance—I do not know whether any of them can dance—or a fine dinner, and never said a word about any legislation, but if at some subsequent time some of your agents came in to talk over matters with them, or you came in yourself, it would be a rather easy way. If you kick your heels under a man's table, he can usually come around and have a talk.

Mr. LOGAN. Are you suggesting that I invite this committee to dinner in order to talk—

Senator BAILEY. That is a perfectly proper question, and I want you to answer it without introducing the names of people. Say also whether or not at these entertainments you ever attempted to discuss legislation, and whether or not after those entertainments you ever attempted to discuss your business or the business of your clients with any Senator or Representative.

Mr. LOGAN. Senator, so far as I am aware no Member of the House or Senate knows anything about my business or my clients. I have never found any occasion to discuss these matters with them.

Senator KENYON. Probably they did not know when they attended these dinners what your business was.

Mr. LOGAN. Nor at any other time.

Senator KENYON. Do you think they might have attended dinners if they had known you were in the employ of the packers and the Standard Oil Co.?

Mr. LOGAN. I can not see any reason why not. Would you decline to go to lunch with a friend of yours because he held stock in the packing houses?

Senator KENYON. I am not on the stand. But I will say I do not accept invitations to go out. Apparently now they did not know whether the packers were paying for that meal or the Standard Oil Co. or what. I believe the social lobby at Washington is more powerful than any money lobby. I may be wrong.

Senator BAILEY. And most of the lobbying is done that way. I think that is true.

Senator KENYON. Exactly.

Senator BAILEY. But, Senator, you would not deny a man the right to invite his friends, provided he has never tried to blandish them into legislation?

Mr. LOGAN. Senator, would you?

Senator KENYON. I do not want to go to dinners and then find out I have been entertained by money from people who have legislation pending in Congress.

Mr. LOGAN. Senator, I will exonerate you of any charge of being a friend of mine. I think that has been quite well demonstrated at this hearing.

Senator KENYON. I have no feeling about you at all. But I think it is quite apparent you have been conducting a social lobby.

Senator BAILEY. I think, Senator Kenyon is right in his effort to develop whether or not social entertainments have been employed as a means of influencing legislation, but I also think that the record will show that there is absolutely no basis for any such imputation against Mr. Logan. He swears positively that he has never talked at any time or place with any Senator or Representative about any business of his clients', and that his business engagements do not require him to do that. It would be easy to contradict him, if what he says were not true.

Senator KENYON. Mr. Tumulty was present at most of your social engagements, Mr. Logan?

Mr. LOGAN. No; not most of them.

Senator KENYON. He was present at this ball that was referred to?

Mr. LOGAN. Yes; and I have already stated that to you.

Senator KENYON. And some Members of Congress were present at this ball given about February 6, I should think from the paper.

Mr. LOGAN. I would not be surprised; yes.

Senator KENYON. And Members of the Senate and Members of the House. Mr. Hurley was present?

Mr. LOGAN. Yes; I see his name there.

Senator KENYON. Was Mr. Davies present at this ball and dinner at the Willard Hotel?

Mr. LOGAN. I am sure I do not recollect. I will look at the list there and answer your question.

Senator KENYON. Well, he was present at other functions, was he not?

Mr. LOGAN. Yes; he was a friend of mine and is now a friend of mine, and I have never invited anybody who was not my friend; and I have invited them purely for social reasons and not for business reasons. Possibly [after examining newspaper clipping]—yes, I see he was, and, Senator, I also see that a great many people were also there who have no influence of any kind, and whom I invited as my friends.

Senator KENYON. I will not pursue these questions any further in regard to social activities. There are other clippings here that seem to indicate that you had, as you say, given a great many dinners here in your social life. I think that is all I want to ask.

Senator NORRIS. Does any other Member want to ask him any questions? [After a pause.] Senator Bailey, do you want to ask him any questions?

Senator BAILEY. I am going to ask a question in order to get clear the idea of whether there was any special or advance information. Mr. Logan, everybody who kept themselves informed about proceedings in Congress and governmental activities generally understood as

well as you did that Mr. Hoover was going to be appointed Food Administrator?

Mr. LOGAN. Yes; but I do not think that things that are apparent to people in Washington who keep themselves informed by reading the newspapers are always apparent to those outside of Washington.

Senator BAILEY. That is undoubtedly true.

Mr. LOGAN. And it was upon that theory——

Senator BAILEY (interposing). That you advised your clients?

Mr. LOGAN. It was.

Senator BAILEY. Mr. Hoover appeared before the committees of the House and Senate advocating the food-administration bill, did he not?

Mr. LOGAN. Yes, sir.

Senator BAILEY. And it was then understood here in the city of Washington that when that bill passed he would be appointed, was it not?

Mr. LOGAN. Yes.

Senator BAILEY. Therefore the information you gave your clients might have been obtained by any man who was familiar with conditions here?

Mr. LOGAN. Yes.

Senator BAILEY. And without any special connection with Government officials, might it not?

Mr. LOGAN. I have pointed out all through my testimony, Senator, that it is my advice and not information that my clients desire.

Senator BAILEY. This particular information was accessible to everybody, as well as to you, in Washington?

Mr. LOGAN. Yes, sir; in Washington.

Senator NORRIS. It was known all over the country, was it not?

Mr. LOGAN. Well, I did not think so. You see, the——

Senator NORRIS. You say the newspapers were talking about it.

Mr. LOGAN. Yes; I say the newspapers were talking about it, but I find out that business men sometimes do not know the importance that should be given to matters that are reported as in prospect.

Senator NORRIS. As Senator Bailey says, Hoover had come here from Europe to appear before this committee and other committees.

Mr. LOGAN. Yes.

Senator NORRIS. Advocating the passage of the Food Administration act?

Mr. LOGAN. Yes.

Senator NORRIS. And other laws?

Mr. LOGAN. Yes.

Senator NORRIS. The whole country knew that?

Mr. LOGAN. Yes.

Senator NORRIS. It was generally understood and known by everybody, was it not, that he was likely to be appointed Food Administrator?

Mr. LOGAN. That is it exactly, Senator.

Senator NORRIS. You think that being the case, that you were earning much of your salary when you notified Swift & Co. that he was going to be appointed, something that they could read every day in the papers?

Mr. LOGAN. That is exactly what I have said, Senator. I have not said at any time that any business house is much interested in ad-

vance information. I think it is only the stock brokerage concerns that wanted advance information. But I think the business men to-day do want to be advised as to the best way to keep in line with public sentiment.

Senator NORRIS. Do you suppose Swift & Co. did not have this general knowledge, and that all their officials did not know it?

Mr. LOGAN. That is why they employ me.

Senator NORRIS. To notify them?

Mr. LOGAN. No; but to give advice. This in itself was a very unimportant thing.

Senator NORRIS. But you did it exactly as part of your employment?

Mr. LOGAN. One of the things I said to them afterwards, and which followed the development of the war—one of the suggestions that I talked over with Swift & Co. at great length, was to spare neither time, expense, nor money to furnish perfect meat to the Army and Navy.

Senator NORRIS. Oh, yes; but that is not involved in this question.

Mr. LOGAN. Yes it is; I am sure you developed it.

Senator NORRIS. Did you advise Swift & Co. of his appointment before it was made?

Mr. LOGAN. Yes.

Senator NORRIS. And you were simply giving them a general rumor as a matter of news that was accessible to everybody?

Mr. LOGAN. Yes.

Senator NORRIS. What I wanted to ask you is, was that a part of your employment and did you think you were performing some service for which you should be paid a salary when you did that?

Mr. LOGAN. Yes; because I wanted to call their attention to it, and after calling their attention to it I advised them that in all probability Mr. Hoover would have full charge of the food supply; that the best way for them to meet up with public sentiment was, during the war, to see that every pound of meat that was sold to the Army was the cleanest and best product on the market; that this war should be conducted without even any suggestion of a low product for meat, and, as a result of the efforts that were made by Swift & Co. I think the Army was the best fed Army that ever fought a war.

Senator NORRIS. This committee is interested in knowing what you did to earn this \$500 a month that you say Swift & Co. was paying you.

Mr. LOGAN. Well, I think any lawyer on the committee understands that fees are paid for the character and the soundness of the advice that is given.

Senator KENYON. Are you a lawyer?

Mr. LOGAN. I am not. I have studied law, but I have not been admitted to the bar, but the advice I am giving is how to meet public sentiment and to keep in accord with it, and at which I consider myself an expert.

Senator GRONNA. You testified yesterday, Mr. Logan, that you had said to them to do these things openly and in a patriotic way; that is, we are referring to the war.

Mr. LOGAN. Yes.

Senator GRONNA. Yet you suggest that they should let some of the men go, in case the Food Department needed their services.

Mr. LOGAN. Oh; I never discussed that with them.

Senator GRONNA. Did you suggest it to them?

Mr. LOGAN. No; I did not suggest it.

Senator GRONNA. We have the testimony here from reliable sources that a number of their employees were serving the Government at the rate of a dollar-a-year, and who were on the packers' books, receiving, some of them at least, as high as \$10,000 a year. Of course, I am not criticising that now. It is not for the purpose of criticism that I am stating it, but I am just asking you if you made any such suggestion to them?

Mr. LOGAN. And I can repeat my answer to you, Senator—I did not.

Senator KENYON. Did you know there were men in the Food Administration at a dollar-a-year and drawing \$10,000 from the packers?

Mr. LOGAN. I saw it in this investigation and I saw it in the papers, also.

Senator KENYON. And one of them fixing the price on canned goods? Did you advise Swift & Co. that that tended to public tranquility?

Mr. LOGAN. No; I did not.

Senator KENYON. Do you not think that would have been a good subject to have advised them on?

Mr. LOGAN. Well, Senator, I do not know exactly where the departments would have obtained trained men to handle food products unless they went to the people who were familiar with these subjects, do you?

Senator KENYON. You think it is all right, then, to have the man from the packers, they paying his salary and he fixing the price of their products?

Mr. LOGAN. So long as he does his full duty by the Government.

Senator GRONNA. Mr. Logan, let me see about that.

Senator KENYON. You think they can serve two masters?

Senator GRONNA. A certain Mr. Prebe, who handles all the products produced by the packers, was also appointed. You have told the committee that you read the Congressional Record and that you read the newspapers. You must have read the statements, at least, of one Senator, and a very distinguished Senator, belonging to the majority party, criticizing and condemning most severely the methods used in handling poultry over the country. Mr. Prebe must have been responsible for that, was he not? Did you make any recommendation to the packers regarding that?

Mr. LOGAN. No; but I think I should probably have taken it up with them.

Senator KENYON. You read the Congressional Record. Did you not read that?

Mr. LOGAN. Yes.

Senator KENYON. And you did not advise them about it?

Mr. LOGAN. I saw no reason to advise them about that, because I thought the Food Administration was handling its work very well, and I felt that they were getting experienced men to serve the country.

Senator GRONNA. Did you know at that time that there were a great many complaints, not only from consumers and from pro-

ducers, but from experienced men in the poultry business, who complained bitterly against the methods used by Mr. Prebe and, of course, for which the Food Administration must be held responsible and the Food Administration can be held responsible?

Mr. LOGAN. Well, Senator, I think that the food-conservation work that was done during the war was excellently done.

Senator GRONNA. Of course you are absolutely mistaken as to that, but we are not going to argue it. I think I could find plenty of witnesses who knew more about it than either you or I that could prove absolutely that it was not done as well as it might have been or that it would have been done if it had been left alone.

Mr. LOGAN. I will admit there are some differences of opinion as to that.

Senator GRONNA. I think we can establish that as a matter of fact. But all I want to know is whether you looked into that particular phase of it, because naturally the packers, who controlled the poultry industry as well as the beef industry and the pork industry, would be blamed for anything that is done detrimental to that industry, and I was anxious to know if you had advised them on that, since your business is purely one of outlining a general policy. You are not doing any work in detail?

Mr. LOGAN. Senator, what kind of advice could I have given them on that—to order these men to withdraw from the Food Administration?

Senator GRONNA. No; but if you had superior knowledge as to what should be done by the packers, I think you could have told them very quickly and very beneficially, not only to the public but to the packers, that this man Prebe was doing something not only detrimental to the public but detrimental to the packers themselves, because ultimately there would be criticism of the packers, the way it was being conducted. We have plenty of evidence before our committee to prove that is a fact.

Senator BAILEY. Senator, would you let me suggest to you that the embarrassment there would have been that he would be interfering with the Government—

Mr. LOGAN. Exactly.

Senator BAILEY (continuing). At that time, rather than with the packers' business? As the Government has chosen to take this man, what he did then was as an officer of the Government at a dollar a year instead of as an employee of the packing company at \$10,000, and any man would have hesitated to have interfered with that during the war. If anyone had interfered, he would probably have been denounced as pro-German.

Mr. LOGAN. It seemed so to me, that it would have been considered a matter of very bad judgment on my part to advise Swift & Co. to dissuade any man from joining the Food Administration or from suggesting to him the way he should conduct his work for the Government, since he was in the Food Administration.

Senator GRONNA. Let me ask you this question: Have you read the testimony of Mr. Heney, to the effect that the packers, when their supply was exhausted and the small poultry dealers had a large supply on hand in storage, and that the small dealers were virtually compelled to sell their products to the packers at a low price—have you examined that testimony?

Mr. LOGAN. I have noticed it.

Senator GRONNA. You would not agree that that was the right way to stimulate production, would you?

Mr. LOGAN. Well, I would examine into the truth of the statement before I would give any advice based upon that.

Senator GRONNA. Is it not a fact that during the war the most important thing was to stimulate production?

Mr. LOGAN. I think so; yes. I agree with you heartily, Senator, on that.

Senator GRONNA. And here is at least one employee of the packers who is working for the Government for a nominal figure—very cheap, of course—I am not condemning that, either—receiving \$1 a year from the Government and receiving probably \$10,000—I forget exactly what this particular man was receiving—but anyway, he was receiving in the neighborhood of \$10,000 from the packers.

Senator BAILEY. That may be a just criticism against the Government, but not against Mr. Logan or his clients.

Senator GRONNA. Well, it is a criticism against the Government—a criticism against both. Mr. Logan, the employee of Swift & Co., knew very well what was being done.

Senator BAILEY. Senator, if the Government had applied to you for any man in your service, would you not have turned him over to them?

Senator GRONNA. I will answer that.

Senator KENYON. To fix the price of wheat, for instance?

Senator BAILEY. Yes.

Senator GRONNA. I will answer that.

Senator BAILEY (interposing). Mr. Logan, I want to ask you one question that goes back: You advised the packers, who were your clients, Swift & Co., to be sure and furnish wholesome meat. Were you especially moved to advise them to that effect by what was said about the meat supply during the Spanish-American War?

Mr. LOGAN. Precisely; that is why I laid great stress upon it.

Senator BAILEY. Did you remember how the Democrats, among whom I was one, assailed the Republican administration of that time about furnishing the Army tainted meat?

Mr. LOGAN. I did.

Senator BAILEY. That was why you wanted your clients to avoid that ground of criticism again?

Mr. LOGAN. Yes; and I think that as a result of that the heads of the company devoted their own attention to that one subject, and the result of it was most favorable to this country, and reflected credit upon the country, and, I think, reflected credit upon Swift & Co.

Senator NORRIS. Do you think if it had not been for your advice that Swift & Co. would have given the Army tainted meat?

Mr. LOGAN. I do not. I think that, Senator, it is rather hard to appraise the advice of a lawyer or a business counselor.

Senator KENYON. That was a small salary.

Senator NORRIS. Are there any more questions desired to be asked of this witness? [After a pause.] There appear to be none.

Mr. LOGAN. Thank you very much, Senator.

Senator NORRIS. I have a letter here from Mr. Dunlop, of St. Paul, who wanted to appear before the committee and be heard on this bill. But he was taken sick, and he has written what he wanted to say.

and I ask the committee to have that inserted in the record, if there be no objection.

Senator GRONNA. Whom does he represent?

Senator NORRIS. I have not read his statement.

Senator GRONNA. What is his full name?

Senator NORRIS. He wrote it himself, and his name is Ker D. Dunlop.

Mr. MAGINNY. He is a director of the St. Paul Stock Yards Co., and represents the English stockholders, who control about 35 per cent of the corporation.

Senator NORRIS. I think he ought to be allowed to put his statement in, since he is sick and can not come here for cross-examination.

(The statement of Ker D. Dunlop referred to is here printed in full as follows:)

STATEMENT OF MR. KER D. DUNLOP, DIRECTOR OF THE ST. PAUL STOCK YARDS CO.,
ST. PAUL, MINN.

The St. Paul Union Stock Yards Co. was organized in 1886 by Mr. A. B. Stickney, of St. Paul, and to a large extent its original capital was furnished in England by Englishmen—the same men who have done so much to help make this western country a fit place for white men to live in and to transact business in. A site for these stockyards, consisting of about 260 acres of land lying $3\frac{1}{4}$ miles south of the city of St. Paul, was purchased from the owners in that year. This land was bottom land along the Mississippi River, and was more or less low and swampy. In order to make it available for its intended use, the sides of the bluffs had to be cut down or sliced off, and the dirt, sand, and gravel hauled over and across to the lowland, and the latter filled up, leveled off, and graded. The land intended for the stockyards proper was then platted off into lots and blocks, with streets and alleys running through them, pens were erected for cattle, sheep, and hogs, and such portion of the streets as were intended for immediate use at that time were paved with brick, as were the live-stock pens. A packinghouse was erected and also a substantial building suitable as offices for the live-stock dealers and commission men, where they could settle with the farmers and shippers of live stock. All this entailed the investment of over a million dollars before a hoof of stock trod the ground—and this was merely pioneer work at that, and a million or two more had to follow in the same way—not merely above ground in additional pens, chutes, and sheds as the business grew and expanded, but below ground in sewers, water pipes, and artesian wells.

The first packer who took hold there was Fowler, and he failed to make a success of it. Mr. Stickney then organized a concern called the Minnesota Packing & Provision Co., to operate the packing plant. The money to run the plant with was furnished largely by the same Englishmen who had their money invested in the stockyards, and they lost practically every dollar they put into the packing plant, as the M. P. & P. Co. ended in a dismal failure. I need not take up the valuable time of your committee by recounting the struggles and failures of the first 10 years of the St. Paul Stock Yards Co., but will briefly state that these initial years were ones of losses and failures. Fortunately in 1897 Mr. Stickney succeeded in interesting Mr. G. F. Swift—the founder of Swift & Co.—in the St. Paul yards, and he was induced or inveigled into taking hold of the hitherto unsuccessful packing plant at South St. Paul. It is hardly necessary to say that the Swifts have made a success not only of the packing plant there but of the stockyards, and it was a lucky day for these English stockholders when Mr. Swift took hold of the enterprise. South St. Paul is now one of the chief live-stock centers in the United States, ranking No. 5, and the whole success of the stockyards is due absolutely and entirely to the Swifts. Other packers are locating here now, and in a measure they are reaping where the Swifts have sown.

I can speak from an intimate knowledge of all the doings and operations of the St. Paul stockyards from their inception, as I happen to be the only one of the original group who were active in the organization of the enterprise at and since its inception—all the others are now dead—and I can say truthfully

and honestly that the influence of Swift & Co. over the St. Paul stockyards has invariably and always been used, not for their own direct benefit, but for the benefit and advantage of the live-stock dealers, the farmers, and the customers and patrons of the yards. The policy which they have urged and insisted upon has been to keep the yards up in the highest state of efficiency and to expend the surplus earnings year after year in additions, improvements, and betterments, rather than to distribute these earnings in dividends to the stockholders. I am free to confess that this policy was not always quite satisfactory or agreeable to these minority stockholders whom I represent, and in whose behalf I am addressing you; and, furthermore, I know full well that if the policy of the stockyards in this respect had not been guided and controlled by Swifts these earnings instead of going back into the plant year by year would have been dissipated and distributed in dividends to the stockholders.

Speaking from absolute knowledge, and inside knowledge, therefore, I openly acknowledge and confess that the control or influence of Swifts over the stockyards at South St. Paul has been of immense benefit to the public and to the patrons of the stockyards. If the stockholders had had their own way about it, or if they had not been controlled in this policy by the Swifts, they would have been richer in dividends, but it would have been at the expense of the yards. The latter would not be in the high state of efficiency in which they are to-day but for the Swifts. If there is any lingering thought, therefore, back in the minds of any gentlemen who are advocating this bill that the control of the stockyards by the big packers is detrimental to the interests of the general public, or to the farmers, stock raisers, cattle men, live-stock dealers, or live-stock commission men, I want to state most earnestly and emphatically that such a thought, if it exists, is as far from the truth as the North Pole is from the South, and I know what I am talking about when I say this. I say that their connection with the stockyards is more advantageous to the public interests than it is to the stockholders of the stockyards. I can say this with absolute freedom and candor because I am in no manner, shape, or form connected with the packers, large or small, and my only interest in this bill now before your committee for consideration is as representing the minority interest in the South St. Paul stockyards owned and held by Englishmen. This holding amounts to \$741,300, and it is owned by some 70 Englishmen and Englishwomen—for there are 15 Englishwomen who are stockholders.

I have seen reference in the public press to the "Big Five," meaning the five big packers, but I could not name who these big five are. Armour and Cudahy are mere names to me, and I would not know either one, or any one, of these gentlemen if he were to talk across this room. The only packer I know is Mr. Louis F. Swift, and if the other packers are built like him, then the country is safe, and the good people of the country may sleep safe at night and not be scared by the phrase makers and the ghost dancers. I am positive that Mr. Swift is a fair, decent, broad-minded man, and I am convinced is not a man who lies awake nights thinking up schemes whereby he can get the best of the public. He probably spends a good few hours every day, however, thinking over ways and methods by which he and his concerns can become more efficient in the service of furnishing the public with good, wholesome meats and provisions at a fair price. "Efficiency" seems to be his watchword and motto. I don't know that Mr. Swift cares very much what my opinion of him is, but it seems to me only just and proper that I should tell you all this so that you may understand that what I am now saying to you comes from one who is only a stockyards man, and not concerned or interested in any way with the meat-packing branch of the live-stock industry. Furthermore this testimony comes from one who has been disappointed in not receiving dividends on his stock all the long, weary years—dividends which certainly would have been paid but for Mr. Swift, even though the payment of them would have been hurtful to the physical upkeep and improvement of the stockyards. And this disappointment has been likewise felt by these English stockholders for whom he is speaking.

I have thought it best to tell you all of this so as to make it clear to you that my only interest in this proposed bill is that of one who stands as the representative of foreign-invested capital in the South St. Paul stockyards. This bill proposes that the Government take over stockyards like these and operate them as a Government owned or controlled institution. Now, if in the interest of the public welfare it is deemed necessary or essential by the

powers that be that my property be acquired and taken over by the State, and the State is ready and willing to pay me a just and adequate price for my property, then I have nothing to say. Remember I am only 1 of 110,000,000 people, and therefore it is only fair and right that the other 109,999,999 people of this country should pay me a good price for it—especially a property of this character which takes years and years to develop and to bring up to its present state of completeness and efficiency. You can not build up a stockyards like these inside of 25 or 30 years, and the first 10 years or so are full of vexations, tribulations, disappointments, and losses. Therefore, when the Government takes from me a property like this it must pay me not merely a fair price, but a liberal and generous price. To pay less than this would be unfair.

But if this bill is intended that the Government should seize my property, take it over, operate it, or control it, while my money continues to remain in it, in order that the Government may try its "prentice hand" in the operation or control of the stockyards business, as a governmental experiment which may prove to be a failure in two or three years, then I run the risk of having my property returned to me again in an impaired or impoverished condition. Such a course is not only unfair to me, but it is dishonest. Or, after having operated the stockyards for a period of time with more or less unsuccessful results, if this bill should then give power to the Government to buy this property in its impaired state, at an inadequate price to me, then such a bill is, in my humble opinion, merely a piece of high-handed dishonesty. I may have my own opinion as to the wisdom or otherwise in which we call "the Government," undertaking the operation, regulation, or control of the business enterprises of this country; but if it proposes to take my property in order to run it or operate it, and will pay me a fair and honest price for it, I have nothing whatever to say, regardless of what my own opinions may be as to the wisdom of the step. And a fair price is not what the bare bones and hide of the property is worth, but in addition full and true value must be paid for the flesh and body and the spirit of the property, as a successful going concern.

But if it is intended that it should take my property over or to control it, or regulate it, while my money continues to remain in it, or to afterwards buy it from me at a depreciated price owing to the experiment of Government operation or control having been proved to be more or less disastrous—then I certainly desire to go on record as objecting strenuously to this scheme—both on my own behalf, and on behalf of the English owners who have invested their money in the enterprise, on the self-evident ground that this course is absolutely dishonest. Lloyd George has recently stated that "no great State can be built on dishonesty." This axiom ought to be read and pondered over by a certain class of agitators in the United States who are busy trying to stampede the country into the policy of running some of the industrial enterprises, by Government direction or operation while these same enterprises represent the invested capital of part of the people. The leading Nation of the world can not remain the leader and at the same time adopt, and carry into practice, the doctrines of Bolshevism. "No great State can be built on dishonesty."

KER D. DUNLOP.

This and the four preceding sheets are all signed by me this 18th of January, 1919.

KER D. DUNLOP.

All of the statements contained in the above sheet and in the preceding four sheets are subscribed and sworn to before me this 18th day of January, 1919.

[SEAL.]

ADOLPH ANDRESSLY,

Notary Public, Ramsey County, Minn., residing at St. Paul, Minn.

My commission expires October 24, 1920.

STATEMENT OF MR. WILLIAM McGIVNEY, PRESIDENT ST. PAUL UNION STOCK YARDS CO., SOUTH ST. PAUL, MINN.

Senator NORRIS. Mr. McGivney, please state your name, occupation, and residence.

Mr. McGIVNEY. William McGivney, St. Paul, Minn., president and general manager of the St. Paul Union Stock Yards Co.

Gentlemen, before presenting to you what seems to me sufficient reasons for opposing the passage of the bill before you, it is perhaps due you that I submit my qualifications as a witness in behalf of the St. Paul Union Stock Yards Co. Since April 1, 1907, I have been president and general manager of that company. My experience with stockyards began as a live-stock market reporter on the Sioux City (Iowa) Journal in April, 1888. In March, 1889, I was employed by the Union Stock Yards Co. of Sioux City, Iowa. I worked in various positions in the yards, the office, and as traveling solicitor until August, 1891. At that time I was sent to New York and Boston by the Sioux City Dressed Beef & Canning Co. to look into the sales of its products on those markets.

I returned to Sioux City in December, 1891, and was in charge of the beef packing house office of Ed. Hankinson & Co., the successor of the Sioux City Dressed Beef & Canning Co., until the failures and panic in April, 1893. I served under the assignees of the property until their affairs were closed. In January, 1894, I served under the receiver of the Union Stock Yards Co., of Sioux City, in the office, and continued with the Sioux City Stock Yards Co. when it took over the property. I remained continuously in the service of that company in various positions, including secretary and treasurer, until I went to St. Paul, April 1, 1907.

The act now under consideration before this committee is somewhat different in its wording from the act before the House Committee on Interstate Commerce, known as the Sims bill, but I take it that whatever legislation there may be will be brought about by the Federal Trade Commission's report, in that the legislation is an effort to correct the evils that that commission present as existing.

If the Government desires to purchase the St. Paul Union Stock Yards at its fair value, I have no objections to offer, as the interests of the stockholders should not suffer by such an act.

If it is proposed to require that the property be operated under Federal license, with regulations that will not operate to decrease the value of the property, then there are no objections. We are now operating under license and regulations of the Bureau of Markets, which so far have been reasonable.

If it is the intention of the Government to take over the property and operate it, then we shall object strenuously, because it is quite possible that the value of the property might thereby be seriously impaired and there might be a move to purchase the property at its impaired value. Also, if the experiment of Government operation should prove ineffective the property might be returned to us in a condition that would make its profitable operation difficult, if not impossible.

It is my belief that the Government is organized to administer laws, and not to administer the affairs of business. Nothing could be gained through the possession or operation of the property by the Government unless some saving could be made to the public. To accomplish such savings it would be necessary for the Government to maintain the same degree of service to the public as is now being maintained in the St. Paul Union Stock Yards, and do it at less cost than it is now being done.

No evidence has ever been produced to show that the charges now made by the St. Paul Union Stock Yards Co. are excessive. No evidence has ever been produced to show that the Federal Government, or any other agency, could furnish the facilities and service for the public now furnished by the St. Paul Union Stock Yards Co. at less costs than those prevailing. In the absence of such evidence it is a fair presumption that the service of the company is reasonably efficient and that its charges are reasonable.

However, I am quite well aware that the provisions of the act aimed at stockyards are not based on their efficiency or their charges, so we will proceed to the points at issue.

In a letter to the Hon. Wm. J. Harris, chairman of the Federal Trade Commission, dated February 7, 1917, President Wilson directed an inquiry into the methods of marketing food products. He requested that facts be ascertained "bearing on alleged violations of the antitrust act, and particularly upon the question whether there are manipulations, controls, trusts, combinations, conspiracies, or restraints of trade out of harmony with law or the public interest."

Another paragraph of the same letter is as follows:

It has been alleged before committees of the Congress, and elsewhere, that the course of trade in important food products is not free, but is restricted and controlled by artificial and illegal means. It is of the highest public concern to ascertain the truth or falsity of these allegations. No business can be transacted effectively in an atmosphere of suspicion. If the allegations are well grounded, it is necessary that the nature and extent of the evils and abuses be accurately determined, so that proper remedies, legislative or administrative, may be applied. If they are not true, it is equally essential that the public be informed, so that unrest and dissatisfaction may be allayed.

The Federal Trade Commission began its task July 1, 1917. Under date of July 3, 1918, the commission, in a letter to the President, submitted a summary of its report on the meat-packing industry. In that letter it stated that it had found conclusive evidence of the existence of "monopolies, controls, trusts, combinations, conspiracies or restraints of trade out of harmony with the law and the public interest."

As one of the means of breaking up the "conspiracy" the commission recommended that the Government, through the Railroad Administration, acquire the principal and necessary stockyards of the country to be treated as freight depots and to be operated under such conditions as would insure open, competitive markets with uniform charges for services performed.

Inasmuch as the provisions of the bill now under consideration are apparently based on the report and recommendations of the Federal Trade Commission, let us now consider the investigations and recommendations of that commission with special reference to their application to the St. Paul Union Stock Yards Co., its property and the operation thereof. The commission has issued Part II of its report and promises to issue more.

Thus far I have been unable to find in the report anything to warrant the statement that the St. Paul Union Stock Yards Co., or its officers or employees acting for it, have taken any part in this alleged "conspiracy." Apparently the commission has reached the conclusion that because some of the packers own stock in the company it is necessary to take control of it regardless of whether

or not there are a large number of other stockholders in the company; and also without regard as to whether or not the stockyards company has been proven guilty of any acts "out of harmony with the law and the public interest."

I have no personal knowledge of the hearings conducted by the commission except the one held in St. Paul, in February, 1918, before Commissioner Davies and conducted by Mr. Francis J. Heney. I was a witness in that hearing and attended all of its sessions. There was no evidence introduced to show that the St. Paul Union Stock Yards Co. had any part in any "conspiracy" of any kind.

An investigator, or sleuth, was sent to the stockyards prior to the hearing and sought to find all those who for any reason were disgruntled and antagonistic to the packers or the Stock Yards Co. I had several interviews with him and found him disposed to be fair-minded and entirely ignorant of all matters pertaining to the business. After several days' search he informed me that there was nothing to be said against the Stock Yards Co. or its management.

Senator NORRIS. Who was he?

Mr. MCGIVNEY. Mr. Barrett.

Senator GRONNA. Will you please repeat what you said about the qualifications of the man? Did I understand you to say that he was—

Mr. MCGIVNEY. That he was fair-minded and open, but he knew nothing about the business. .

Senator GRONNA. He knew nothing about the stockyards business?

Mr. MCGIVNEY. That is, he had no prejudices; he came to us with an entirely open mind, absolutely fair. After several days' search he informed me that there was nothing to be said against the stockyards company or its management.

Senator GRONNA. I do not want to break in, but would it not be quite difficult for the gentleman to make any criticism if he did not know anything about it?

Mr. MCGIVNEY. Well, he could investigate and look us over and talk with people about the yards, talk with shippers and commission men, and talk with small packer buyers and find out if there were any complaints. And he did not find any trouble; at least he told me that he did not. I have never had any presented to me. Naturally I was interested in it, because we are trying to conduct our business along business lines, which means efficient service, in order that you may build.

He interviewed two of the small packers at the stockyards, but as they had no complaints against Swift & Co. or the Stock Yards Co. they were not called as witnesses. The commission did not wish to hear from any one who was satisfied and had a good word for the yards, the packers, or their business methods. When the hearing began the witnesses called were all men who had some complaint to make. They were practically all retail butchers, with the exception of four live-stock shippers. One butcher said he thought there was competition between the packers in the sales of meats. Mr. Heney promptly interrupted him to inquire if he had been talking to Mr. McGivney or Mr. Bangs, the manager of Swift & Co. The butcher stated that he did not know me and had not talked to Mr. Bangs. Mr. Heney promptly dismissed him.

Of the two live-stock shippers who occupied the stand a large part of the time one of them admitted that he had not shipped any live stock to St. Paul in five years. The other one told a story of how he knew that the market prices of hogs at St. Paul were 60 cents per hundredweight out of line as compared with Chicago. He failed, however, to state why he continued to ship to St. Paul instead of Chicago under those conditions. I protested to Mr. Heney that he was filling the records with evidence not supported by fact or circumstances. I told him I wanted to cross-examine the witness and would guarantee to disqualify him as a witness. Mr. Heney said he would not permit any witnesses to be cross-examined. I asked for the privilege to go on the stand and refute such testimony, and my statement was from time to time interrupted by Mr. Heney with the remark that I was making an argument and not giving testimony. I stated that there were more than 2,000 shippers of live stock who patronized our market, a large majority of whom were satisfied, and asked Mr. Heney why he did not call some of them. His reply was that he might call them all before he finished. He did not, however, call any of them.

Now, I mention most of these things to give you an idea of how that hearing was conducted. You might say that a hearing is open to all, and that is what it is designed to be; that the Federal Trade Commission subpoenaed its witnesses in the prosecution, you might say, of those who were supposed to be in this conspiracy, and that the same privilege was accorded to the packing interests and stockyards interests, to bring in what witnesses they wanted. Perhaps it was, but we were not so informed. The nature of the hearing and how it was proposed to conduct it was not outlined at the beginning. Had I known as much about hearings and investigations then as I do now, naturally I would have gone out and called Mr. Katz there and called all the rest of the little packers and a lot of the shippers who had good words to say for the business, so that the records might have been in shape for whoever passed upon it afterwards to determine from the nature of that record whether there was cause for complaint against this marketing facility or whether there was not. But that opportunity was not given me. I am not a professional lobbyist or a professional attender of hearings. I am not a lawyer; I am just a plain business man. I have given you my record.

Senator GRONNA. It is reasonable to infer, then, Mr. McGivney, that so far as the Union Stockyards Co., of St. Paul, was concerned the investigation was not fair to all interests.

Mr. MCGIVNEY. No; it was not. I do not charge the commission with being intentionally unfair. I know that men who are in public office are harassed with complaints about various things, and they are dealing with national affairs. They are not dealing with the St. Paul Union Stockyards or any other little local institution. They are dealing with national affairs.

Senator GRONNA. I did not ask my question in any such spirit as that, but all the interests were not given an opportunity to give the facts as they actually existed.

Mr. MCGIVNEY. No; they were not, and we who are in the business do not see how a conclusion could have been reached. It may be that the interests with which I am connected are guilty of the things that

are charged. If we read only the evidence that has been made public so far, there would not be much trouble in arriving at that verdict. But aside from my capacity as an executive officer of this corporation, I am still a citizen of the United States, with faith in our law-making bodies, with faith in the integrity of the men who make our laws, and I am going to reserve my judgment as to whether these men are guilty until both sides have been heard.

Senator GRONNA. Of course, there have been a number of complaints by shippers from the Northwest against the practices of the stockyards at St. Paul, have there not, Mr. McGivney?

Mr. MCGIVNEY. Yes; and not against the stockyards, but against market practices.

Senator GRONNA. That is what I meant.

Mr. MCGIVNEY. They come largely from the human element that enters into these things. You are a farmer and a cattle man, I take it, and you know it is difficult to determine what is the value of cattle or what is the value of sheep. You can pick up a newspaper and tell from reading the representative sales in the report of the markets what hogs ought to sell for on the market. If you take up a newspaper and read that a steer of 1,200 pounds sold at 16 cents a pound, you do not know whether a steer that you have got weighing 1,200 pounds would sell for 16 cents or 12 cents unless you are an expert stockman and know that the beef-type animal would bring the 16 cents and the dairy-type animal the 12 cents.

Senator GRONNA. In the locality where I live—if I may be permitted to digress—I am quite sure my cattle would not bring it, because it is only incidental that such prices as that are paid. It is hardly fair to the stock raisers to assume that any such price as that is being paid, because, as a matter of fact, it is not. The percentage is so small that it is absolutely infinitesimal.

Mr. MCGIVNEY. Yes; but they pay those prices if you get the right kind of animal.

Senator GRONNA. Is it not a fact that there is a great deal of complaint on the part of the stock raisers of the country because of that very fact—because a few people are paid abnormally high prices?

Mr. MCGIVNEY. Yes.

Senator GRONNA. And for what purpose we do not know?

Mr. MCGIVNEY. No; that is it. The whole gist of my argument is, Senator, that it is not legislation that is needed to correct these things; it is education. If these people knew, if they were educated as to the value of animals, they would make a lot more money out of raising live stock than they do, and there would be farmers who are making a loss who would make a profit. They come to the market with dairy-type animals into which they have put expensive feed. I do not know what the percentage runs on cattle, but I do know the colleges figure in producing pork 85 per cent of the cost is feed and 15 per cent is facilities and labor. Now, you put 85 per cent of the cost of your animal into an inferior animal to start with, not a butcher, and it is just like a grand piano and a \$10,000 rug in a log cabin. You do not increase the value of your log cabin by doing that.

Now, these men will feed Holstein steers; they even did it in the experiment station there in Minnesota. They came around to me

and asked me what I thought of feeding some Holstein steers. I said, "If you have got some money to waste, go ahead and do it. They are not beef-type animals, and they are not suitable for that purpose."

Senator NORRIS. You would not advocate that Holstein steers should not be fitted for slaughter, but you would educate the people to understand that they should not expect to get such a price?

Mr. MCGIVNEY. I am advocating that they should not be finished.

Senator NORRIS. What would you do with them?

Mr. MCGIVNEY. Veal them when calves. It is absolutely a money-losing proposition; you can not manufacture feed into beef on an animal of that type.

Senator WADSWORTH. Mr. Chairman, I second that motion.

Senator NORRIS. Suppose a farmer had a whole lot of pasture, for instance, and nothing to eat the pasture; the farmer would not have enough cows, for instance, to eat the pasture. If he had these steers it would be best for him to feed them on that pasture, would it not?

Mr. MCGIVNEY. If his pasture does not cost him anything; if his feed does not cost him anything.

Senator WADSWORTH. The question is, How does he come into possession of such animals for beef purposes?

Senator NORRIS. He does not have them for beef purposes; he has them because he has a varied herd. And I am asking if it would not be best for him to feed them?

Mr. MCGIVNEY. What I would do would be to run beef-type animals, and feed them.

Senator NORRIS. Of course, he might run a beef proposition in connection with his dairy.

Mr. MCGIVNEY. Of course he could. The only thing that ought to be done with a dairy steer calf is to veal it.

Let us now proceed to examine the status and functions of the St. Paul Union Stockyards. I am not going at length into this stockyards business, because I think Mr. Buckingham has already testified before you. The St. Paul Union Stock Yards Co. does not buy, sell, or transport live stock moved in interstate commerce. Its business is to furnish facilities and labor for receiving, feeding, and marketing live stock. It is the place where buyers and sellers of live stock meet. It is a hotel for live stock around which, through its enterprise or the enterprise of others, have been built slaughtering houses. Within its gates have been located buyers of stocker and feeder cattle, sheep, and swine. Because it has spent money to provide facilities for the marketing of live stock it makes a reasonable charge for the use of those facilities and for the feed fed to live stock therein.

Senator GRONNA. Mr. McGivney, don't you think that the complaint about these things is directed more against the people who are conducting the business? That is, there are only a few people in the packing industry, and, of course, they are making enormous profits. There is no question about that. Now, the efficiency of the meat-packing industry has come about by evolution. It is fair to assume that, is it not?

Mr. MCGIVNEY. Yes, sir.

Senator GRONNA. And is it not more a question as to the regulation of the amount of profits that ought to be made by these men who are engaged in it?

Mr. MCGIVNEY. Yes.

Senator GRONNA. Because that naturally affects the cost to the consumer?

Mr. MCGIVNEY. Yes, sir.

Senator GRONNA. I think that possibly that is the most important thing to consider.

Mr. MCGIVNEY. I think that is. I think I would go right through from the producer to the consumer and see what the costs are all the way through, and see that the man in the middle is not taking more than a reasonable toll for the service that he gives. If he is doing it he ought to be stopped.

Senator GRONNA. I think the producer ought to be investigated as well as the packer. I would have no objection to that.

Senator WADSWORTH. How would you stop it?

Mr. MCGIVNEY. The auditors for the Bureau of Markets were in St. Paul last month. I happened not to be there, and they went all through our accounts. We raised our yardage charges last September, owing to high costs. They did not refuse to let us raise them, but they said they would check us over and see whether it was justified or not. They will go all through our accounts and analyze them, and if our charges are too high or our earnings are excessive for the capital we have invested they will undoubtedly tell us to cut those charges down. And I think that is perfectly right; I do not want to profiteer. All I want is a reasonable return on the investment and labor I am putting into the business.

Senator WADSWORTH. Speaking entirely impersonally, in the event that a stockyards company declined to put them down, what could be done about it?

Mr. MCGIVNEY. Well, I should think your Federal Trade Commission—or surely there is some agency through which you can make them do it, Senator.

Senator WADSWORTH. Not at present. As I understand, there is no price-fixing power lodged in the Government of the United States.

Senator GRONNA. Only in an indirect way, through licenses.

Senator WADSWORTH. That is a war measure.

Mr. MCGIVNEY. It ought to be so that you can say to a stockyards company, "You shall not profiteer."

Senator NORRIS. I think a license system would provide for that.

Mr. MCGIVNEY. I have said heretofore that I do not object at all to reasonable regulation. All I object to in the license proposition is for some department clerk who does not know anything about the stockyards business to be authorized to say what I may do and what I may not do and be arbitrary about it. I certainly would not want that. But if it is left in the hands of a bureau of intelligent men who are going to use regulations just as we use system in business, for the purpose of facilitating the transaction of business, and if they will use regulations in the stockyards for the purpose of facilitating the transaction of business, no sane-minded men will ever object to that.

Senator GRONNA. Then your idea is, Mr. McGivney, that if we are to have Government control of this business, it would be highly

important that the men who are to supervise this business should be men who know something about the business?

Mr. McGIVNEY. Oh, yes.

Senator GRONNA. The same as a man must be a lawyer in order to be judge on the bench?

Mr. McGIVNEY. Just the same, sir.

Senator GRONNA. I think that it is perhaps fair to assume that in some instances men have been appointed to these positions to supervise a great business of the country who have had no special training in that particular line, and who are men of ability and men of character and all that, but they have not had special training in that line of business.

Mr. McGIVNEY. There is also danger in a republican form of government that politics will enter into those things, and of course that nearly always works to the disadvantage of the business, and nothing can work to the disadvantage of the stockyards or the packers without reflecting back on to the producer. The interests of the producer, the stockyards company, and the packers are one.

Senator GRONNA. But you have no complaint to make, as I understand it, against the Food Administration as to the course it has pursued?

Mr. McGIVNEY. Oh, no.

Senator GRONNA. They have treated the stockyards and the packers liberally, as I understand it?

Mr. McGIVNEY. I do not know anything about that, of course I am not in the packing business.

Senator GRONNA. But speaking for the stockyards?

Mr. McGIVNEY. Oh, absolutely fairly. I have not any complaint against the Government.

Senator GRONNA. In other words, your business methods have not been changed in any way whatever?

Mr. McGIVNEY. No.

Senator GRONNA. You have not only been allowed to charge the old rate, but have been allowed to increase the old rate?

Mr. McGIVNEY. Yes, sir; and with this string on it that they will investigate us and will tell us whether that increase is warranted or not.

Senator GRONNA. At any rate your charges have not been reduced by them?

Mr. McGIVNEY. Oh, no. I have not any criticism to make against the Government in any way.

We men out in the country away from Washington, just marvel at the speed with which this Government was evolved from a republican form of government into an unlimited monarchy, organized like a business machine, and put into motion. You did a lot of things. You probably made some mistakes. And no human being is 100 per cent perfect, and nobody could work as fast as you did without making some mistakes, and I am disposed to overlook those mistakes. I could not have done as well, certainly.

Senator GRONNA. Is it not true that a great deal of that credit should be given to men who are themselves engaged in industry?

Mr. McGIVNEY. Yes; every true American is willing to help the Government. Representatives of business and the Government officers are working night and day to put this thing through. There

is going to be some expense in following this thing up; it is going to cost something to keep the pledges the Government has made, but what is a few million dollars or a billion dollars, compared with the saving in lives? After preparing for two or three years of war, we have stopped in the midst of our preparations, and it is going to cost us perhaps two or three billion dollars, because we did stop, but we stopped on the right side.

Now, as far as the Federal Trade Commission is concerned, I can say that they have not handled this investigation in what I consider a fair way. They may have handled it in what they consider a fair way. I do not condemn the Federal Trade Commission as a bunch of bandits at heart because they have conducted this thing in this way. I think they have gone according to their light, and I think that the Federal Trade Commission and the law that created the commission and provided for its functions are perhaps things that are necessary. A man ought to go according to his light. You ought not to have men there that go on 10-candlepower lights on a job where you need several thousand candlepower.

If a man does not do a job to suit me, I do not condemn the job. I have discharged men out of my organization who are superintendents or foremen because they do not do the job to suit me, but I do not abolish the job. I do not want to abolish the Federal Trade Commission, but as an American citizen I would like to suggest that we make that Federal Trade Commission over a little.

Senator NORRIS. It seems to me it ought to be said, although it has not anything to do with this hearing, that the Federal Trade Commission was carrying out a law that was in itself quite inquisitorial. And there was a great deal of doubt in the minds of liberty-loving people as to whether the passage of the law was not intruding too much upon personal liberty and personal rights. I think everybody had some doubt about it, and to carry it out in the spirit in which the law was intended they had to do those things. We have had some witnesses here who have complained bitterly, and I can see how there was some reason for it, and yet when we take the whole country into view we can see that the object was to help the men who wanted to be fair and honest. But in order to find out the men who were guilty of unfair and dishonest practices it had to inconvenience the fair man and the honest man, and we ought not to condemn it on that account.

Mr. McGIVNEY. That is exactly the view I take of it, Senator. I can not speak for the packers. I am not in the packing business, but I know this facility has grown. It has grown fast, and it has grown enormously, and we have all been busy in trying to organize and trying to build and keep up with this growth. We have not paid any attention to public sentiment, and when anybody wanted to inquire into us we have said, "Here, we haven't been making any unreasonable returns. Why pick on us?" We have not realized how big we were in the aggregate until this hearing started.

Senator NORRIS. We do not always realize that a law must be general, and you can not pick on the fellow that is wrong without inconveniencing the fellow that is right.

Mr. McGIVNEY. No; you can not. But in the end the fellow that is right is going to come out all right. All we ask is that this be

carried along to the end. We have gone along in this business and have not tried to educate the public, and I will tell you frankly I would have resented congressional investigation of my business, because I felt I was all right, and I did not want to be bothered.

Senator NORRIS. Frankly, and yet it might be necessary for a congressional committee to investigate your business.

Mr. McGIVNEY. Yes; and the reason that was necessary was that while I was growing I did not stop to educate the people along with me as to how I was doing business and what I was doing and all about it, and so do away with the necessity for that investigation. And now you gentlemen are here representing the whole United States, and if somebody comes to you and says, "We have made up our minds that there is something crooked in this stockyards business," you are their representatives and you can not turn them down and say you do not think there is anything in it.

Senator NORRIS. We ought to turn them down if we are convinced that there is not anything in it.

Mr. McGIVNEY. But you can not turn them down without investigating.

Senator NORRIS. Still it does not follow if we authorize an investigation that we are absolutely convinced that there is something in it. But if there is a prima facie proof made out we ought to investigate it.

Senator GRONNA. Do you think the bill that we have before us now would remedy the situation?

Mr. McGIVNEY. No; I do not, Senator. I think that bill is pernicious in the extreme. It is drawn by somebody who does not understand trading, who does not understand the live-stock business. The bill starts out to say, "To stimulate the production and sale——"

Senator NORRIS. You must not pay too much attention to the title of the bill.

Mr. McGIVNEY. It would not stimulate it, Senator. I would not be in the business 60 days after that bill was enacted. I would not care to be in the business, because I would know that anybody that came along could not only shut me up, but could put me in jail for two years under that bill.

Senator GRONNA. It is obvious then that you are opposed to this bill.

Mr. McGIVNEY. I hope so; that is my idea.

Now, it is not legislation that is needed, gentlemen, to satisfy these fellows. I know where your complaint comes from largely, and I get it, too. It comes from the range men first, in the Southwest and the Northwest, out in Senator Gronna's country and mine. These fellows ship to the market once a year in the fall, after the grass has gone off the range and the pastures are drying up. They get all the weight on the cattle they can and everybody wants to rush his cattle to a market in from 20 to 60 days. The transportation companies are taxed beyond their limit. There is lawsuit after lawsuit because cars are not furnished. The stock stands around without water, and there is all kinds of trouble. Now, when it reaches the stockyards, my ordinary business in the fall of the year used to be 200 or 300 cars a day outside of Monday, and they give me 1,000 cars on Monday. I get about eight of those Mondays every fall, and I

would make money if I were to shut the doors on those eight days. Then the stockyards are in a glutted condition. You can not clean your pens. You can not get the use of the alleys for your teams to haul out the manure. I have had 25,000 cattle standing around there for 8 or 10 days.

Now, a man from Montana strikes that condition in St. Paul, and his commission man has got a larger business than he can attend to. That commission man, maybe he is hooked up with a force sufficient to take care of 10 or 15 cars of cattle in a day, and he wakes up Monday morning with 50 to 55 cars. They are not in his location in the yard, because there is not room enough there for them. There may be room enough a half mile down the yards. I say to him, "Why don't you weigh on that scales down there?" He says, "No; I am going to bring them up here and weigh on this scale." He does not tell me why he does this. I just say to him, "Look here, boy, you have not got enough force to handle this business, and you are going to bring these cattle up here so you can sell them out of your own alley, and get your alley weighed up, and then you will go down in the south end of the yards and bring your cattle up so you can handle them. That is the trouble; the shipper gets that kind of treatment. We have had Swift's stuff stand around our yards from Monday until Friday. There is an immense economic loss.

So these cattle stand in our yards sometimes from Monday until Friday before they are killed, in these big gluts. Swift will ship all he can and kill all he can in St. Paul, and of course the public can not consume it. It can not go out as fresh beef in two or three weeks; the public can not take it. That stock has got to be put away and frozen in great expensive enormous warehouses, and that refrigeration costs a lot of money. That beef has got to be piled up in there and held until such time as it can be eased out on the market.

Senator GRONNA. Would it not tend to show, Mr. McGivney, that these places have grown too large, if they are not able to handle a business in an economic way?

Mr. MCGIVNEY. No; the deduction I draw from that, Senator, is this: It is a question of education again. The fruit growers used to have all that kind of loss. They would ship cars in and have to dump them. Now, if the live-stock producers can be educated as to the marketing of his stock—

Senator GRONNA. Why do you put all the blame on the producer? The producer has to ship his product to the market when he thinks it is fit, and 9 times out of 10 when he has got to sell it to get the money. Why is it fair to assume that that is the fault of the producer?

Mr. MCGIVNEY. The point is this, Senator: The producers are seized with the idea that their stock has got to go to the market within 60 days in the fall.

Senator GRONNA. Well, that is the only time in the year the stock can be shipped in the right condition. Nature has provided for that. In the spring of the year there are no grasses, and they must wait until the grass grows. They can not ship their stock in July, because they are not fit, they are not in condition to be shipped, and the only time the shipper can ship is when the cattle are ready for the market.

Mr. MCGIVNEY. But, Senator, can he not in the fall of the year arrange in some way to move these cattle along to some place where there is hay and not rush them into the market within a period of 60 days?

Senator GRONNA. Where would he move them?

Mr. MCGIVNEY. Well, there is lots of hay raised in Minnesota. I say, that is a matter of education. I can not tell you to-day, but it must be so.

Senator WADSWORTH. There is a system of that sort now being operated in connection with the Kansas City stockyards. I think the Santa Fe Railroad has a very large sheep-feeding station about two-hours run out of Kansas City.

Mr. MCGIVNEY. Most of the roads do have them for sheep feeding, but not for cattle.

Senator WADSWORTH. But this is the same line.

Mr. MCGIVNEY. I say, it should be done with cattle.

Senator WADSWORTH. It is a rather interesting thing. The Santa Fe Road's agents all through the Southwest invite sheep producers to ship their sheep for feeding and retention at that sheep-feeding station, and the Santa Fe keeps them there until the commission man in Kansas City, representing the shipper and owner, telegraphs out to ship in a load of those sheep. They will keep sheep there two weeks, if necessary. They will even put on the fat for the owner and shipper. The result is those owners do not find them all dumped upon the Kansas City market on the same day. The commission man representing them in the yards wants to make the best sales he can, as an advertisement of his skill in selling, and he cooperates with the railroad company operating the feeding station and the owner's wishes are also consulted and the result is that a tremendous service is performed for the producer; I have been through that station and seen its operation.

Senator GRONNA. The fault should not be laid at the door of the small producer. If there is any fault anywhere it lies with the packer or with the people who are supposed to take meats when they are ready for the market, or even if they are not ready.

Senator WADSWORTH. May I interpose there, Senator? The interest of the packer does not reach out as far as that feeding station is concerned to the same degree as the interest of the owner or the commission man. There has got to be a teamwork between two or three elements in the composition. I do say that the small producer can not establish his own feeding station in the vicinity of St. Paul, Omaha, or Kansas City, but the railroads are illustrating very effectively how this teamwork can be carried out, so that the little sheep producer can ship one car of sheep—and that is a small shipment, as you know—billed to Kansas City, with a stop-over privilege at the Santa Fe feeding yards, two hours out from Kansas City, and he wires his commission man that he has shipped the sheep consigned to him for sale, and the commission man is authorized to by him to tell the Santa Fe Railroad when they shall release those sheep and bring them in and put them on the market overnight. The packer has not anything to do with it.

Mr. MCGIVNEY. We do not disclaim any interest in the stock before it gets to us, because we are vitally interested in it.

Senator WADSWORTH. Of course, you are.

Mr. McGIVNEY. There is a trite saying that the packer can not run his plant without stock, and we can not run our yard without stock. The small shipper, you say, can not avail himself of that. I do not know whether you know it or not, but 60 per cent of the stock that comes to St. Paul is cooperative farmers' shipments. I think it is a great thing, because those shipping associations have as high as 200 members.

Senator NORRIS. We have had some testimony about it. I would like to ask you something about those cooperative societies. They are made up of the farmers who own the stock?

Mr. McGIVNEY. Yes.

Senator NORRIS. And they ship it in the name of the association, do they?

Mr. McGIVNEY. Yes, sir; the manager of the association.

Senator NORRIS. And the stock is sold in the name of this association or in the name of the individual? How do they handle it?

Mr. McGIVNEY. The way they get at that is this. They take a car of steers and brand the animals with the Roman numerals. I, II, III, IV, V, and VI. That indicates the ownership. For instance, your brand in that shipment is VI. And now, that animal, after he is sold and weighed, is handled separately. Of course, it makes a lot of expense and a lot of trouble with us in the stock yards to handle it, but I think it is such a good thing we do not try to reduce the expense of handling it and cut it out.

That is for this reason. Originally the farmer used to sell his stock to a stock buyer who went around the country. I do not know that they ever made much money at it.

Senator NORRIS. Make a lot of money on one shipment, and then lose it on the next.

Mr. McGIVNEY. Exactly. That farmer never knew what his animal brought.

Senator NORRIS. No; he sold it outright; he had no interest in it afterwards.

Mr. McGIVNEY. He did not know what it was worth to the packer, the feeder, or anybody else, and he got no education whatever from his experience in raising live stock, except the judgment of that one man. As it is, his animal goes through to the market, and our records will show that last year we had at South St. Paul 73 packer and butcher buyers and 39 buyers for feeders. His animal will be shown to as many of those people as the commission man thinks should look at it.

Suppose you live on one farm and I live on another. You have sent in one sheep that weighed about the same as mine and looked about like my lamb, and you get about a dollar and a half a hundred less than I did, and you wonder why that is. We find on looking into that your lamb was not "trimmed"; that is, its tail had not been docked and it had not been altered. That damaged the value of that lamb for packer purposes to the extent of \$1 a hundred at least.

Senator NORRIS. That means that I would trim my lambs after that.

Mr. McGIVNEY. Yes; you would find that out. I conducted an exhibit at two or three of the State fairs, showing some trimmed lambs and untrimmed lambs, good steers and poor steers.

Senator GRONNA. Yes; I have heard of it.

Mr. McGIVNEY. I sold the whole thing to the Live Stock Association of Wisconsin; they liked it so well they took it over, just to show the farmers what they were losing. Now, if a farmer makes some money in the live-stock business, he is going to stay in it, and he is going to use our facilities, and we are going to stay along with him. We want him to make money. And the packer would rather pay a man a price for a steer or hog that would make that man a profit than to buy where it lost him money, as long as the packer can make his 2 per cent—which they say they make—on the handling of the animal. He would much rather do that, because it does away with argument and dissatisfaction. The packer is not a brigand, of course; he is a business man, and no business that is not founded on honest, clean methods can grow or can long succeed. This packing business was not built up by the packers alone. It was built up by the consuming public and by the producing public as well, because this facility served both interests more effectively and more economically than any other agency that there was.

Senator NORRIS. Have you had any trouble in your stockyards with these cooperative associations of farmers that were shipping stock collectively? Have you had any difficulty in getting along with them?

Mr. McGIVNEY. No; the Equity Cooperative Association has a house in our place; they do not belong to the exchange, but they have a house there. Our market is open; we do not shut it to anybody.

Senator NORRIS. What proportion of the stock in your market is sold by such organizations?

Mr. McGIVNEY. About 60 per cent cooperative shipments.

Senator NORRIS. And that has been increasing rapidly, has it not?

Mr. McGIVNEY. Oh, yes.

Senator NORRIS. And is still increasing?

Mr. McGIVNEY. Yes.

Senator NORRIS. How long has it been since it started?

Mr. McGIVNEY. About five or six years ago.

Senator NORRIS. And it has been growing all the time?

Mr. McGIVNEY. Oh, yes. They teach it at the colleges; they teach these fellows how to do cooperative marketing. They watch this thing awfully close, you know. Those men will come to me once in a while with questions; they think they are charged too much for feed. I am only too glad to take them into my office and show them my figures, and explain why these things cost so much, and they are satisfied when they find out about it. But when they do not know about it they are dissatisfied. It is what a man does not know about that arouses his suspicion.

Here is another thing that farmers in the Northwest suffer from—I think that Senator Gronna will bear me out in this. These cooperative organizations furnish, of course, a great field for the operations of the professional organizer and agitator, and he comes along and says, "Here, one of these packing companies paid \$20,000,000 this year. Boys, they are robbing you cold, and there are millions

of money in this packing business. Now, let's build a packing house." And he goes out and sells the stock to these farmers, and takes their notes for \$100 a share, and, I am told, takes \$25 for his commission out of that. You can sell a gold mine, perhaps, and take 25 per cent commission and not go broke, but I do not know of any legitimate business that you have not got broke when you start it with that handicap.

Well, he goes ahead and builds a packing house. We have got one just across the river from us at St. Paul, and it is not turning a wheel. It has just been built. I do not know when it is going to operate, but I did see a statement, an advertisement, published in one of their papers, saying, "If you farmers want this operated, we have got to have \$500,000 capital before we can start, and you will have to pay up your notes."

Senator GRONNA. What organization owns that, Mr. McGivney?

Mr. MCGIVNEY. Well, it is not an Equity institution, but it is a lot of those fellows that are in the Equity down there. I do not know the name of it. Whether that house will ever start or not I do not know; maybe it will. And if it does not succeed, "Who put it out of business?" The big packer. "And when we tried to help ourselves and build a packing house the big packer got us by the throat and put us out of business. He undersold us." That's what they will say.

Why does he undersell us? The price of concentration, gentlemen, as you all know, is a wide margin of profit. It was what drove the small packer out of business. Perhaps, one of the first mistakes the big packers made was in doing their business on such a narrow margin of profit that the small fellow could not stay in. When he went out he made on awful yell, and he had a lot of friends who yelled with him. You will find saloons on the corners in many cities outside of Washington and other dry districts, because the profit in handling liquor is wide. You will find in your home cities a drug store on every other corner, pretty nearly, because the profit in handling drugs in a retail way is large. You will find a lot of small retail butcher shops, around in the residential districts because they are making enough profit in a retail way so that they can pay their overhead charges and make a living. But when you come to handling things in a big way, the effective, economically administered institution will always drive the ineffective and extravagantly managed institution out of business on a narrow margin of profit.

Take it since this war first started, Senator. The prices of packing-house products—meat, live stock, and everything—has been on the upgrade, because the price of live stock has been advancing all the time. I can not build stockyards quick enough to make a location for speculators in the yards. There is a chance to make some money, and it is going up and up all the time. At the same time our big packers have been engaged principally in feeding our allies and other peoples and the armies of the United States abroad. Therefore they could not be very strong competitors in the local field with anybody. They had meats to sell—and sold them—but they were not seeking business all over the United States. As a result I understand that there have been something over 300 small slaughter-houses started all over the United States, because the margin of

profit, under these conditions, is wide enough so that they can engage in it. There are three of those little fellows at the St. Paul stockyards; they had been there prior to the war, but one of them was not doing very well; he did not know much about the packing business and he had not been in it very long.

The other day he came to me and wanted to buy a piece of land and put up a plant. I knew that they did not have much business of their own. Of course, those little fellows have got to sell locally; they can not sell in the world markets; they have not got the capital or the organization to do the business. I said, "What do you want to do?" "Well," he said, "we want to put in a refrigerating machine instead of depending on ice." "Well," I said, "young man, a refrigerating machine with a small packer is about as much help to his credit as the thrashing machine used to be to the farmer when I was a boy in Iowa."

He said, "Why do you say that?" I said, "You are basing your proposed operations on conditions that exist to-day?" He said, "Yes." I said, "You go ahead and get a big investment in a plant and get a big overhead cost, and if you do not do the business it is going to break you." I said, "I do not know about this packing business. I am just giving you my views and want you to consider them." I said, "If I was going to run a small packing house I would try to have my investment and overhead just as low as I could, so the big packers would not get me."

I want those fellows to stay in business. I do not want them to branch out too strong and go broke; I want to keep them in the market. But these conditions exist now; they look good. Speculators are around the stockyards, they want to get into the business, and they buy stuff and they plant it. Why, there are so many around there I can hardly keep track of them. But there is going to come a time when these markets are going to start down gradually—I think we all realize it—and on the down market only the efficient, well-organized man, who understands his business, is going to continue to exist. I have been around the stockyards for 30 years, and I can count on the fingers of one hand the men I have known in Sioux City and St. Paul who have made a success in speculating in cattle.

Senator NORRIS. That is true of the speculator in almost any line.

Mr. MACGIVNEY. Yes.

Senator NORRIS. They go to pieces when the market goes down.

Mr. MACGIVNEY. Exactly so. What I would like to see done with this situation, if the Government wants to render service to this particular business—and I presume it does—

Senator NORRIS. There is no doubt of that; we do want to.

Mr. MACGIVNEY. Of course, the people in other lines of business will say, "What right has the Government got to spend my money on the live-stock business? Why don't they do something to help me in research?" But I do think if the Department of Agriculture, through some one of its agencies, could put on a scientific and a well-organized campaign to educate the farmers, the packers and stockyards companies would go along with them, and we would lay the cards on the table—just as I am laying them on the table here with you now. We are glad to lay the cards on the table with anybody that is fair with us. We will join in that educational movement to

the end that the producer will be taught, first, to produce a better stock—stock that will be more profitable—and to the end that he will use more scientific principles in marketing his live stock.

Then let us look through the packing houses and let us look through the stockyards and let us look through the retailer and see whether we are all doing it scientifically and economically; and if we are, then we have got the result. Of course we are not going to find it 100 per cent anywhere; the human element prevents that; but if we find it a large per cent effective and a large per cent economical, we may find some things in the stockyards business that could be rooted out to advantage. We may find some things that should be added. I do not know what they are. If I did, I would root up and add to. But some other fellow may come along and tell me. We may find some things in the commission men's hands the same way; some things in the buyers' end or in the packing business. They ought to reasonably get together in a unified effort to ascertain those facts and apply the knowledge we have thereby gained, and thereby help the whole industry and everyone of us. And you can not restrict the packers' operations without it is going right back and hitting the producer in the nose, and you can not hit the producer in the nose without coming right back and hitting me in the back of the head. We are all in it together; we three make the "conspiracy," which is a conspiracy to produce and market live-stock products at a minimum cost with a maximum efficiency.

Senator NORRIS. In carrying out any legislation of that kind ought there to be any machinery, in your judgment, or any law that would limit the profits anywhere?

Mr. McGIVNEY. It is manifestly unfair, Senator, to limit profits without at the same time assuring them.

Senator NORRIS. Without guaranteeing them a reasonable income?

Mr. McGIVNEY. If you are going to limit a man's profit to 9 or 10 per cent, I think, on the other hand, you should say we will guarantee you that much, too.

Senator NORRIS. Do you not think that, taking it over a term of years, that 9 per cent or 10 per cent is too much?

Mr. McGIVNEY. No.

Senator NORRIS. It is not?

Mr. McGIVNEY. Not for the risks you take in business, Senator. Most commercial businesses take their risks only on from 20 to 50 per cent.

Senator NORRIS. I think I see a difference in profits where a man or corporation is engaged in something that the people have to have, like human food. Of course they are going to have that; and if conditions should get so they could not get it one way, they would get it another, and we are all interested in having them get it in a fair and legitimate way.

Mr. McGIVNEY. We are trying regulation to the railroads and talk about limiting profits of railroads and public-service corporations to a certain fixed percentage. A public-service corporation is, in a way, a monopoly if it becomes effective.

Senator NORRIS. Right there, taking up the question of monopoly. do you not think that any monopoly on any necessity of life, unless possibly you would except a monopoly that was a patent right, must

either be owned outright by the Government or must be strictly controlled by the Government?

Mr. MCGIVNEY. When it becomes a monopoly, Senator, it should, but I do not think that the beef-packing business or the pork-packing business has reached that stage. My own personal judgment is that it can not reach it. Combination between these packers would have for its only incentive the personal profits of the combiners, would it not?

Senator NORRIS. I should think it would; that is usually the incentive.

Mr. MCGIVNEY. If these fellows got together and combined for more profit, they would have to depress the price of live stock and raise the price of meats until there is a wider margin than there is to-day, would they?

Senator NORRIS. Yes.

Mr. MCGIVNEY. Now, whenever they reach that stage their margin of profit has become so wide that the small slaughterer comes in. So that takes care of itself.

Senator NORRIS. If you and I were going into that kind of a monopoly, assuming that we had the control to do it, and were wise men, as you apparently are, we would be careful not to make too big hogs of ourselves to start with, for that very danger, that we would meet the competition that we otherwise would not have. It would be a question of judgment as to how far we would go and keep our monopoly going and not excite bitter opposition.

Mr. MCGIVNEY. Yes.

Senator NORRIS. Of course, the man who has a complete monopoly, or a partial monopoly, for the sake of the profit there is in it, if he is a wise man, always has that in view. Sometimes his judgment misses and he goes too far, and the public become incensed, and break him.

Mr. MCGIVNEY. Yes; but if he exercises his judgment that way and holds it down to a reasonable profit—

Senator NORRIS. He would go just as far as he could, and we might disagree as to how far, in a moral way at least, a man has to go to make profits out of what human beings have to have to live.

Mr. MCGIVNEY. Every human being will do that, Senator. Every human being will make all the profit he thinks he dare make. In other words, he will apply the old principle of making the railroad rates what the traffic will bear. When he puts on too much his competitor springs in. The current of money invested in business ebbs and flows. If the margin becomes wide, it flows in; if the margin becomes narrow, it ebbs out into some other field where the margin is wider.

Senator NORRIS. Yes; but if there is danger of a monopoly, using a railroad for an illustration, it has a certain territory and is not controlled, and it raises the rates all the traffic will bear, and bears down on that section of the country, and gets the rates so high that pretty soon some other railroad builds in there, and it may be a territory that is not sufficiently large to support two railroads.

Mr. MCGIVNEY. That is an economic loss when that occurs.

Senator NORRIS. That is an economic loss, and the public ought to have a right to prevent such a thing occurring by taking charge of the first railroad when it starts out.

Mr. McGIVNEY. You can regulate that monopoly so that you do not destroy its efficiency.

Senator NORRIS. That is a difficult thing to do.

Mr. McGIVNEY. That is a difficult thing to do, and that is why we so fear public regulation. It is not that I do not have faith in you or any other man sitting around this board to-day, but you are not going to be in office always. Some other man is coming along. A lot of them have gone in on the platform of regulating the railroads, just as a lot of them are going in on the platform of breaking the packers, if they can, or regulating them. They are sincere in that: the people back of them in the country want it, and the reason they want it is they do not understand it.

Senator NORRIS. It might be argued that the reason they want it is because they do understand it. They may not know all there is in it, but they realize that the cost of living is now so extremely high that a man who used to have an income that would be almost luxurious is unable to support a family on it now.

Mr. McGIVNEY. That is true.

Senator NORRIS. And he find himself up against something that he is unable to surmount. He may not understand why it is, but he feels that as long as he is willing and anxious to work and there is work for him to do he ought to have a right to support his family.

Mr. McGIVNEY. He should.

Senator NORRIS. And something has got to be done so that he may have a right to do it.

Mr. McGIVNEY. Absolutely. But if we go ahead and regulate an industry by limiting its profits, and on the other side do not assure its returns, we will reach, then, just the condition we have reached with the railroads. We have regulated them as to what their tariff rates should be. We have legislated on as to what their wages shall be for their employees. Of course, since the Administration took hold of them they have found it necessary to raise the rates of pay. I happen to be president of a little railroad in connection with our stockyards, and I know the rates of pay in this last year have been raised 60 per cent over the rates of pay a year ago.

Senator NORRIS. Yes; and some of them have been increased more than that.

Mr. McGIVNEY. My employees in the stock yards to-day are averaging \$112 to \$115 a month, and four years ago they were averaging \$54 a month.

Now, we go ahead and place those restrictions upon the railroads. We limit what they shall earn, but we have no legislation as to what their expenses shall be, and the net result is just exactly what happened to the railroads—that the Government of the United States had to take them over to prevent receiverships and maintain their efficiency for use during war times. And now they have turned them over to Congress to-day, and you have got this problem before you which, I presume, you are passing back to your constituents in the country. And if I were here I would wire to them and say, “Boys, we have got the railroads on our hands; we have got them broke, just as you wanted. What shall we do with them?” I do not want the packing industry to come to that pass.

Senator NORRIS. We have regulated the railroads as to what their income shall be, and we have had no control of them as to their expenses.

Mr. MCGIVNEY. We have not given them any legislation in behalf of their expenses. In other words, we have not assured their income.

Senator NORRIS. You would not advocate, would you, that we regulate what their income should be?

Mr. MCGIVNEY. No, sir; I would not.

Senator NORRIS. Would you advocate that we legislate as to what their expenses should be?

Mr. MCGIVNEY. No; I would advocate that you legislate and guarantee a revenue to them. And if you will take the St. Paul Union Stock Yards, if you want to take that industry under regulation, and say to me, "You shall not make more than 10 per cent, and all you make over 10 per cent will be turned over to the Government, and all you make under 10 per cent we will make good to you—"

Senator NORRIS. You have got the rate too high.

Mr. MCGIVNEY. Whatever the rate is.

Senator NORRIS. Do you not think you have got the rate too high?

Mr. MCGIVNEY. No.

Senator NORRIS. There is not a farmer or ordinary business man in the country that makes 10 per cent one year with another.

Mr. MCGIVNEY. Is there not?

Senator NORRIS. Oh, no. You can go into the West and take 95 per cent of the farmers in the great farming west, and if the Government will guarantee 10 per cent on the value they will jump over each other to turn it over to the Government. They do not average 5.

Mr. MCGIVNEY. They will give all the increase in the value of the land, will they?

Senator NORRIS. Are you going to do that in your stock-yards proposition?

Mr. MCGIVNEY. No; we are not.

Senator NORRIS. Then we won't do it with the farmer if it is not intended in your proposition.

Mr. MCGIVNEY. No. The farmers' greatest profit in farming is the increase in value of his land.

Senator NORRIS. Oh, no. Where I was raised in Ohio I have seen the old farm on which I was raised, when land all around it could have been sold from \$100 to \$125 an acre, going down to \$60.

Mr. MCGIVNEY. So have I.

Senator NORRIS. And in other places it goes up.

Mr. MCGIVNEY. Yes, sir. It goes down because it is run down; it has lost its fertility; it has been mined; it has not been farmed.

Senator NORRIS. No; in the section where I have lived that is not true. That is true in a great many places.

Mr. MCGIVNEY. You do not see land in Nebraska going down in value.

Senator NORRIS. It may go down sometime.

Mr. MCGIVNEY. Oh, no.

Senator NORRIS. It has gone down. Land can not always keep on going up; there must be a stopping place. But that is beside our proposition. I was saying that if the Government is going to guarantee your 10 per cent return, it could get the business of practically every farmer in the United States on that same basis.

Mr. MCGIVNEY. I know; but I am not asking you to do it. I am saying, if you are going to tax and regulate us, do it that way.

Senator NORRIS. But if the Government does take you gentlemen and guarantee you 10 per cent, that is too much.

Mr. MCGIVNEY. Is it too much? Should we not be able to pay 8 per cent to our stockholders?

Senator NORRIS. No. For a guaranty, 8 per cent is too much, I think. That is a matter of judgment.

Mr. MCGIVNEY. I will not quarrel with you. I am not a financier; I am just an ordinary stockyards operator, that is all.

Senator GRONNA. You have what is known as a stock exchange in St. Paul, of course?

Mr. MCGIVNEY. A live-stock exchange.

Senator GRONNA. The so-called equity members are not members of that, are they?

Mr. MCGIVNEY. No.

Senator GRONNA. Do you know the reason why they are not members?

Mr. MCGIVNEY. Yes; the rules of the exchange provide that a member shall not rebate his commissions or shall not divide his commissions with his shippers.

Senator NORRIS. And a cooperative association has no commissions?

Mr. MCGIVNEY. Yes. They charge the same commissions the other fellows do, and they are supposed to pay a dividend back to their shippers.

Senator NORRIS. Is there a great advantage in being a member of the stock exchange?

Mr. MCGIVNEY. Yes. The advantage is that they trade with one another, and they have a clearing house, and they have bonds that they put up with the exchange, which establish a man's credit, and he trades freely.

Senator NORRIS. I want to change the form of my question. I had particular reference to this: What would be the advantage, if any, to this organization of farmers if they were members of the exchange? Would it be any advantage to them?

Mr. MCGIVNEY. It would be an advantage to them if they could join. Senator, but they could not.

Senator NORRIS. I understand that, but what advantage would it be to them if they could?

Mr. MCGIVNEY. They would have a wider outlet for stock. This live stock comes in and there is no trader there who will buy it.

Senator NORRIS. He is confined to the speculators and purchasers?

Mr. MCGIVNEY. Yes; now the equity movement, and all these cooperative movements, have attempted to jump at once to a point that is not prepared—and would not be prepared for years—and that is the point of marketing through one agency.

Senator NORRIS. Of course, they could not join the exchange and agree on the question, for instance, of their commissions, as I understand it, as it would be contrary to their very organization.

Mr. MCGIVNEY. It would be contrary, for they rebate the commissions back to the owners. But they can use the members of the exchange, and I think it is a very foolish thing to undertake to

market live stock through one commission firm, for a group of farmers to get together and do that.

Senator NORRIS. They always do it that way.

Mr. McGIVNEY. They always do it that way; and that is their weak point.

Senator NORRIS. Why do they not ever see that?

Mr. McGIVNEY. I do not know.

Senator NORRIS. Have you ever taken it up with them?

Mr. McGIVNEY. Yes; I have talked to them about it. They say no. The organized fellow is getting them together and doing all this and saying, "It is dollars in his pocket. Don't pay any attention to McGivney; he is getting pay from this Beef Trust."

Senator GRONNA. You have heard, I am sure, numerous complaints from these farmers that this so-called cooperative exchange of St. Paul, which is the selling agency in the stockyards, claim they are discriminated against by the packers; that the packers will not buy their stock?

Mr. McGIVNEY. They do buy it right along, Senator.

Senator GRONNA. Yes; but there is a complaint, and there have been a number of complaints, that you will not find any representatives from the big packers in the yards of these cooperative pens, that they have to leave their stock for one, two, or three days. I have had those complaints sent to me, and I wanted to ask you, as president of the stockyards company, if you have had any of those complaints called to your attention?

Mr. McGIVNEY. They do not come to me. I know the managers of the cooperative exchange, and they come in my office once in a while, but none of the cooperative shippers ever came to me and told me anything of that kind.

Senator GRONNA. Do you not think there is any truth in the statement?

Mr. McGIVNEY. Not exactly. I think what happened probably was this, that in shipping in mixed cars, as they usually do, they have some stuff fit for butchers, and some stockers and feeders, and the packer does not want them. That stock might stand in the alleys for two or three days before the Equity found a buyer for it. Do you not see? And he would tell the shipper that the packer was not buying or that he could not get a buyer in there, or something like that. I imagine that is what might happen.

Senator GRONNA. The Equity in St. Paul is only the same as a commission firm, and what you speak of, of course, will happen with every commission firm—that mixed stock will be shipped to them.

Mr. McGIVNEY. It does happen with the members of the exchange, because they go right out in the yard and get a buyer among the other members of the exchange who are traders in stockers and feeders, and you see these Equity men can not go to these other traders in the yard, because they belong to the exchange and they will not trade with them. And the Equity man has got to keep that stock in his hands two or three days, until somebody comes along from the country or some other place, or he finally bundles it in a car and ships it to Chicago, or may ship it outside of St. Paul and conceal its identity and ship in to another commission firm and sell it.

Senator GRONNA. I have been told they have to make reshipments very often and have to wait for country buyers to dispose of the stock?

Mr. McGIVNEY. They do.

Senator GRONNA. And, of course, it is very natural for the farmers to believe that they are being discriminated against by the packers?

Mr. McGIVNEY. That is it exactly, and then comes this question of education and not legislation. I will be glad to educate the farmers as far as the stockyards are concerned; I will put on a force to do that.

These stockyards, about their history and conduct, is just about the same as others, Senators.

There is one thing I want to mention, and that is with respect to this witness on the stand yesterday afternoon, Mr. Katz. There was some point made about stockyards company paying his expenses.

Senator NORRIS. I do not think there is any claim made that you have not the right to pay the expenses of any witness you want to bring. That is all right. But it is a perfectly proper thing to show that you do that.

Mr. McGIVNEY. Absolutely, and I can add that I could easily have framed so that it would not have been found out.

Senator NORRIS. That would not have been the truth.

Mr. McGIVNEY. It would have been the truth, too.

Senator NORRIS. You can bring all the witnesses you want and pay all their expenses, and when they come we inquire who has paid their expenses.

Mr. McGIVNEY. I am perfectly willing the committee should know. I have got my cards on the table with you every minute, and all I have to say, if the committee is interested in who pays the expenses, is that I am a little interested in some of the proponents of this bill, not alone as president of the stockyards, but as a taxpayer.

Senator NORRIS. We would be glad to have you ask that question, and we will ask it for you of any witness you want to suggest.

Mr. McGIVNEY. I would like to know who Francis J. Heney is a witness for, and I would like to know whether or not the information he obtained while serving the Federal Trade Commission, at a salary reported to be in the neighborhood of \$100 a day, can be sold, and also his services, sold to the National Farmers' Union, or whatever it is, that I understand he represents, and how much he gets for his services. I would like to know whether one of the proponents of this bill, who is an advocate for the Federal Trade Commission, who is an attorney for the stockyards' employees in Chicago in their arbitration with respect to wages, and who is now representing some farmers' union and equity societies, and of various things, as I understand—I do not know just what they are—I would like to know whether this man is coming before this committee with the evidence as a citizen of the United States or whether he is an attorney who represents one group or another?

Senator NORRIS. Who is the man you have reference to?

Mr. McGIVNEY. Mr. Francis J. Heney.

Senator NORRIS. I can tell you how Mr. Heney came before the committee. The committee sent for Mr. Heney, and we did that on the theory that he had been the attorney for the Federal Trade

Commission and knew a great deal about it, and information is what we are after.

Mr. McGIVNEY. Sure, that is all right.

Senator NORRIS. I understand he has been employed by some organizations of farmers. I have forgotten who it is.

Mr. McGIVNEY. I think we will be interested in knowing. We know now what Mr. Katz's fee was for coming here as my witness.

Senator NORRIS. Mr. Heney gets no fee for being a witness. As a representative and attorney I do not know what he gets, and I do not know what he got from the Federal Trade Commission, but—

Mr. McGIVNEY. But I will testify what it cost the stockyards company to bring Katz here as a witness. I would like to see what it cost these farmers' unions to bring Mr. Heney in here; I would like to know what it cost the Federal Trade Commission to employ Mr. Heney. Of course, we have no right to inquire into his activities with employees of the packers, but I would like to know whether a man is a professional appearer before hearings.

Senator NORRIS. Mr. McGivney, there is a great difference, when inquiring into packers, to know what expenses and knowing what some organization pays its attorneys or officers. It is the packers we are looking into, and the stockyards we are looking into; so it is perfectly proper, and has such weight we might want to give it as to what salary a packer official may receive.

The witness here this morning had ex-Senator Bailey as counsel. I do not think any member of the committee cares to know what he is paid for representing Mr. Logan. I understand ex-Senator Brown was here representing the Cudahy stockyards and had witnesses on the stand. I—

Mr. McGIVNEY. I am just simply trying to run my business and get along with it.

Senator NORRIS. But the business we are investigating, and about which we want to get the information is the packing business, because that is the subject of this investigation. The expense of it is a very legitimate inquiry anywhere from one end to the other.

Mr. McGIVNEY. Senator, in collecting this evidence you will naturally be like any other body collecting evidence. You will turn over in your mind whether a witness told you the truth, or what motives they had, and whether it was inspired. You will take all that into consideration. I just wanted to suggest, when taking into consideration the testimony presented by Mr. Heney, that you will consider it on the same basis exactly.

Senator NORRIS. As far as Mr. Heney and the money he is getting is concerned, it ought to be taken into consideration. All those things only have a tendency to show bias or interest, the same as in a lawsuit. A man may always show whether a witness has to be paid. It does not follow when his expenses are paid that it is illegitimate.

Mr. McGIVNEY. This man Katz came into my office just as he said, and I asked him whether he would go to Washington, and he replied, "The long and short of it is that I can not find it convenient to lose my time." I said, "Katz, I kind of hate to pay the expense. I do not know who will be before the committee or anything about it, and I do not know how much capital they might try to make out of your

expenses; whether they will say you came down to testify because I paid your expenses." He said, "I will see you in a few days." and he came around and said, "Mr. McGivney, I would like to go, but I can not pay my own way. I will lose my time if you will pay my expenses." I said, "All right, Katz, I will do it." He said, "But suppose they will ask whether you pay them. I would not be a bit surprised," and I said, "Your only answer is just exactly a fact. Give them the truth, and I will settle with the committee later as to whether I have a right to do that, or have violated any public interest in doing it."

(Thereupon the committee took a recess until 2 o'clock this afternoon.)

AFTERNOON SESSION.

The committee met, pursuant to the taking of recess, at 3 o'clock p. m., Senator Norris presiding.

STATEMENT OF MR. SAMUEL E. RAUH.

MR. RAUH. Mr. Chairman and gentlemen, I represent the Belt Railroad Stockyards Co., of Indianapolis.

We are in a unique position. We have no packing houses interested with us at all as stockholders. Our stock is owned principally by the people throughout Indiana. We have about 400 stockholders. We have an open market and we supply every facility for the shippers in marketing their live stock.

Senator NORRIS. Who are the buyers on the market?

MR. RAUH. The packing houses at Indianapolis and elsewhere.

Senator NORRIS. How many packing houses are there in Indianapolis?

MR. RAUH. We have about five.

Senator NORRIS. Are any of them large ones?

MR. RAUH. One is a very large one—Kingan & Co. They are the largest individual packer we have there.

We hardly think it is necessary to have Government ownership of stockyards. We think we can manage the stockyards better than the Government, having been in it for a number of years.

I have been president of our institution for 22 years. I would be very glad to answer any questions.

Senator NORRIS. Please give us an idea of about the amount of business you do.

MR. RAUH. We handle about 1,800,000 hogs a year and about 400,000 cattle.

Senator NORRIS. Are buyers there representing packers who are outside of Indianapolis?

MR. RAUH. Yes, sir.

Senator NORRIS. What proportion of the stock that is sold on your market there is slaughtered at Indianapolis or in that vicinity?

MR. RAUH. About 60 per cent, and 40 per cent is shipped.

Senator NORRIS. Where does most of the stock come from?

MR. RAUH. From Illinois and Indiana, and very little of it from Ohio.

Senator NORRIS. Is it shipped in usually by the man who raises it or by local buyers?

Mr. RAUH. It is usually shipped in by the man who raises the stock.

Senator NORRIS. Is that method of doing business increasing now?

Mr. RAUH. Yes, sir.

Senator NORRIS. It used to be that the local buyers bought it up largely.

Mr. RAUH. The largest increase we have now is business coming in in gasoline trucks. Raisers of small bunches, 15 or 20 hogs, get them into market that way. At one time we had 540 truck loads in one day. That is a very large truck business. So the business is increasing for the small stock raisers in our vicinity.

Senator NORRIS. From an examination of the bill, you have no doubt that you would be included in it?

Mr. RAUH. I have no doubt of it from the way the bill reads.

Senator NORRIS. Of course, it is not the intention of those who drafted the bill to include everybody in it.

Mr. RAUH. The bill states that those who handled 500,000 or over in 1917 would be included.

Senator NORRIS. That is, in interstate commerce.

Mr. RAUH. Well, we are in interstate commerce. We are drawing from Ohio and Illinois and our own State.

Senator NORRIS. What is the capital stock of your company?

Mr. RAUH. Two and a half million dollars.

Senator NORRIS. All paid up?

Mr. RAUH. All paid up; yes, sir.

Senator NORRIS. Has it been a profitable business?

Mr. RAUH. Yes; it has.

Senator NORRIS. What have you been able to pay?

Mr. RAUH. We have been able to pay about 10 per cent, besides 6 per cent on the preferred stock.

Senator NORRIS. You have two kinds of stock, then?

Mr. RAUH. Yes. We have \$500,000 of preferred stock and \$2,000,000 of common stock.

Senator NORRIS. You started with the \$500,000, did you?

Mr. RAUH. No. We started with one million five hundred thousand.

Senator NORRIS. That was paid in?

Mr. RAUH. Yes.

Senator NORRIS. And does the balance of the stock represent stock dividends?

Mr. RAUH. That represents stock dividends and accumulation of profits for years.

Senator NORRIS. And you pay 10 per cent on the preferred and common stock?

Mr. RAUH. Ten per cent on the common and 6 per cent on the preferred stock.

Senator NORRIS. Oh, yes; you are limited to 6 per cent on the preferred stock?

Mr. RAUH. Yes, sir. Some years we have paid more. Last year we paid 14 per cent. Previous to that we paid as little as 6 per cent and 4 per cent, and some years 2 per cent.

Senator NORRIS. Do Swift & Co. and Morris & Co. and the others, known as the Big Five, buy there?

Mr. RAUH. Armour & Co. has a small plant there; 600 to 700 hogs a day, and about 150 head of cattle. Swift & Co. has a buyer in our market, and Nelson Morris—

Senator NORRIS. You are licensed now?

Mr. RAUH. Yes, sir.

Senator NORRIS. Is there any complaint to make about the present conditions?

Mr. RAUH. No, sir.

Senator NORRIS. Is it satisfactory?

Mr. RAUH. Yes, sir; it is satisfactory so far.

Senator NORRIS. Would you object to a license in times of peace as well as war?

Mr. RAUH. We have no objection if the Government sees fit to license all the industries. I do not see why they should pick out the meat industry or the stockyards. They might as well license the flour mills.

Senator NORRIS. Well, they have..

Mr. RAUH. I mean to continue to license them. I do not know whether it is a good policy for the Government to license—

Senator NORRIS. I think it is conceded by all that it is not a desirable policy if it can be avoided.

Mr. RAUH. I fully agree with you on that.

Senator NORRIS. But if there is something wrong with our food production and the people are paying too much for food we have to do something, and the question is what can we do and be fair with everybody, and still give the consumer a fair show for his white alley.

Mr. RAUH. Well, the first thing to do is to investigate and see whether there is anything wrong or not, and if there is, where does it exist? Does it exist with the packers, or the stockyards, or the farmer, or stock raiser, or the shipper, or buyer?

Senator NORRIS. I think those who have investigated have reached the conclusion that the difficulty exists mostly with the big packers, and they have included the stockyards in the investigation, and in the bill, I think, because it is difficult to separate the two. Now, maybe they can be separated, and we will be glad to have your ideas on it.

Mr. RAUH. Well, I think they can be separated. There is no reason why a packer should insist on owning the stockyards, as long as he gets good service. He ought to be entitled to good service, of course. The packer must have facilities to have the stock handled properly.

Senator NORRIS. You regard the stockyards rather as a public market place?

Mr. RAUH. I do.

Senator NORRIS. Of course, it is to the interest of everybody that a public market should be absolutely fair and not under the control of anybody who could influence its transactions, who would have a financial interest in it, either as a seller or as a buyer on the stockyards?

Mr. RAUH. A stockyard ought to be what the term denotes, a public market, and not influenced by any influence whatsoever, and I think you will find, on taking the evidence, that the stockyards of the country are open markets, notwithstanding the charges that

have been made that they are controlled by the large packers; that they are in fact——

Senator NORRIS. There is no doubt but what they are not dominated in some places, and it is equally clear that they are dominated in other places by the large packers.

Mr. RAUH. That may be.

Senator NORRIS. Of course, it would still be an open question as to whether that domination was detrimental to free competition and an open market or whether it was not.

Mr. RAUH. Well, I doubt if any packer would object to your having the stockyards divorced from any packing plant, as long as they get the facilities to do business and get the stock handled in the proper manner.

Senator NORRIS. There are two classes of people now who do business on the stockyards: One is the man who sells, and the other is the man who buys. Now, if either one of those, or particularly the buyer—I do not see that there would be so much objection to the seller, because it is to his interests to have it sold for as high a price as possible, so he would not hamper competition, but if the buyers could control the prices, either directly or indirectly, it would be an evil.

Mr. RAUH. I fully agree with you.

Senator GRONNA. I did not hear the first part of your statement. Are you a packer?

Mr. RAUH. No; we operate the stockyards at Indianapolis.

Senator GRONNA. I did not hear what the capitalization of your stockyards was.

Mr. RAUH. \$2,500,000.

Senator GRONNA. Have you any interest in the packing plants at Indianapolis?

Mr. RAUH. No; none at all.

Senator GRONNA. That is where you are located, at Indianapolis?

Mr. RAUH. That is where we are located; yes, sir.

Senator GRONNA. How many packing plants have you there now?

Mr. RAUH. About five packing plants.

Senator GRONNA. Have you what is known as a stock exchange?

Mr. RAUH. We have a live-stock exchange; but, of course, that is composed of the commission men.

Senator GRONNA. No one outside of the live-stock exchange will be permitted to sell on your market, will he?

Mr. RAUH. Oh, yes; we allow anyone that comes in to sell their stock if they so desire.

Senator GRONNA. Well, through a commission man.

Mr. RAUH. No; we do not regulate that at all. We have nothing to do with that at all.

Senator GRONNA. That is, you lease your pens to anybody that wants to go into the business?

Mr. RAUH. We take care of all the stock that comes in. It does not make any difference who brings it in or who sends it in.

Senator GRONNA. And who owns the packing plants there in your city?

Mr. RAUH. They are owned by different people. There is a small plant owned by Armour & Co., a very small-capacity plant. The

largest plant is owned by an independent packer by the name of Kingans.

Senator GRONNA. Have you any independent selling agencies in your stockyards?

Mr. RAUH. What do you mean?

Senator GRONNA. Cooperative or independent?

Mr. RAUH. No; there is nothing of that kind there.

Senator GRONNA. You have had no application for any such thing as that?

Mr. RAUH. Not in Indiana, so far; no.

Senator GRONNA. You have no interest, then, in the packing plants?

Mr. RAUH. No, sir; none at all.

Senator GRONNA. Other than what is mutual between a packer and a stockyards man.

Mr. RAUH. That is all, sir.

Senator NORRIS. That is all.

Mr. RAUH. Thank you, very much.

STATEMENT OF MR. E. A. MURPHY, PRESIDENT AND GENERAL MANAGER OF THE CLEVELAND UNION STOCKYARDS, CLEVELAND, OHIO.

Mr. MURPHY. Mr. Chairman, we wish to protest against this bill for the reason that we do not think it is a necessity and do not think it would be a public benefit.

I have been in the business 37 years, principally at this point. We are what is called a free, open market. We have buyers there from all sections of the country, but our main buyers are local packers. We have there about six independent hog-packing concerns and one of the larger packers.

Senator NORRIS. Which one of the larger packers?

Mr. MURPHY. Swift & Co.

Now, in all our experience and all my experience there, I have never seen it to fail but what the high dollar got the stock; that is to say, in open bidding. As to the ownership of the yards, there are approximately 200 shareholders, and all of the packers are interested in the stockyards to a certain extent. The control, however, is in the hands of the outside investors; and, as regards packers affecting prices or doing it intentionally, in my judgment that is always regulated by competition. For instance, if a man comes to Cleveland with stock, which happens many times, and the prices bid are not satisfactory, he ships that stock on to Buffalo or to Pittsburgh. So that the salvation of what we would call a free, independent stockyards, which we claim we are, is getting the prices, or you do not get the stock.

Senator NORRIS. Do you know whether there has ever been a custom at Cleveland of wiring on to Pittsburgh and telling the buyers there that some man at Cleveland has had his stock in the Cleveland yard and that he did not get what he wanted and has shipped it on and notify them what he has been offered, and so on?

Mr. MURPHY. No; I do not think anything of that kind would occur.

Senator NORRIS. Would it be possible for that to occur?

Mr. MURPHY. It would be possible, but not probable.

Senator NORRIS. There has never been that complaint made?

Mr. MURPHY. No. We have had men ship to Buffalo, and the prices offered in Buffalo would still be unsatisfactory, and they would ship their stock on to Jersey or New York.

Senator NORRIS. What is the capital stock of your concern?

Mr. MURPHY. \$1,250,000.

Senator NORRIS. Is that all paid in?

Mr. MURPHY. Yes, sir.

Senator NORRIS. Was it all paid in in cash?

Mr. MURPHY. No.

Senator NORRIS. How much cash, and how much of that is stock dividends, and how much is water, if any?

Mr. MURPHY. Well, there is good will. The capitalization is \$1,250,000. I would say the actual investment is \$1,000,000; and it can not be replaced for that at this time.

Senator NORRIS. I am not asking you as to what it would cost to replace it, but what I want to know is how much actual cash has gone into the organization by the holders of stock.

Mr. MURPHY. Well, of course, I would say offhand, that I did not have any particular data; but close to a million dollars.

Senator NORRIS. And the capital stock is what?

Mr. MURPHY. \$1,250,000.

Senator NORRIS. You think \$250,000 is probably a stock dividend?

Mr. MURPHY. Possibly it would be \$350,000.

Senator NORRIS. Was any of this stock given to any one?

Mr. MURPHY. No, sir.

Senator NORRIS. None of it was a bonus to anyone?

Mr. MURPHY. No, sir.

Senator NORRIS. What has it been paying on the stock?

Mr. MURPHY. We paid between 10 and 11 per cent.

Senator NORRIS. On the entire capital stock?

Mr. MURPHY. It is common stock.

Senator NORRIS. It is all common stock?

Mr. MURPHY. Yes, sir.

Senator NORRIS. How long has it been paying that?

Mr. MURPHY. Oh, I would say possibly for the last seven or eight years.

Senator NORRIS. Do you have any profits above the 10 per cent?

Mr. MURPHY. Sometimes; yes, sir. Well, we would average, I would say, between 13 and 14 per cent.

Senator NORRIS. Where does the stock come from, as a rule, that comes into your market?

Mr. MURPHY. Ohio and Indiana, and some from Illinois, and at odd times some from Iowa.

Senator NORRIS. You have no interest in any packing establishment?

Mr. MURPHY. No.

Senator NORRIS. You are considering the bill now entirely from the stockyards standpoint?

Mr. MURPHY. Yes, sir; from the stockyards standpoint entirely.

Senator NORRIS. Are you licensed now?

Mr. MURPHY. Yes, sir.

Senator NORRIS. And is it satisfactory?

Mr. MURPHY. Perfectly. But, of course, any future license is likely to be unsatisfactory.

Senator NORRIS. What reason have you to think that your license in the future would be unsatisfactory?

Mr. MURPHY. Well, it all depends on the restrictions in the license. That is all we are afraid of. Under present conditions it would be all right.

Senator NORRIS. Have you any reason to think that there would be restrictions put in the license that would be unfair?

Mr. MURPHY. Well, we don't know. We have no idea.

Senator NORRIS. You do not believe that the stockyards ought to be regulated by law?

Mr. MURPHY. No; not to interfere with the proper prosecution of their business; no.

Senator NORRIS. I do not think anybody wants to regulate them any other way, although there might be a disagreement as to what would be an interference with business.

Mr. MURPHY. If I might state it, we have an instance now. When the bulk of the hog run was in, an allotment system was put into effect which very materially interfered with the trade. Of course, that was the Food Administration. They do not distinguish between western and eastern conditions, and the offerings of stock in the eastern section have run out, you know, and this allotment was misunderstood by many of the smaller people, and it resulted in a material decrease of the business at all eastern points.

Senator NORRIS. Does this stock that is shipped in from Ohio come in mainly from men who have raised the stock?

Mr. MURPHY. It comes in from the countrymen; yes, sir.

Senator NORRIS. I mean, is the man shipping in a carload of stock the man who has raised the stock, or is he a local buyer?

Mr. MURPHY. He is not a local buyer. He may possibly be a country buyer or shipper.

Senator NORRIS. That is what I mean.

Mr. MURPHY. I could not tell you about that. A great lot of it comes in from the original owner, and quite a good deal from the shipper.

Senator NORRIS. Your market is perfectly open, is it?

Mr. MURPHY. Yes, sir.

Senator NORRIS. And anyone can bring in stock, can he?

Mr. MURPHY. Anyone can bring in stock; yes, sir.

Senator NORRIS. You have a live-stock exchange?

Mr. MURPHY. Yes.

Senator NORRIS. Do you have any farmers' cooperative associations?

Mr. MURPHY. No; there is none in that section of the country, so far as I know. Of course, we, as stockyards, have no jurisdiction whatever over the live-stock exchange. That is composed entirely of the commission men.

Senator NORRIS. What is the purpose of that organization?

Mr. MURPHY. The purpose is, I suppose, to protect everybody that they deal with, and protect themselves.

Senator NORRIS. Well, what is the necessity of protecting them if everything is going along all right? Whom do they want to protect themselves against?

Mr. MURPHY. Well, to protect themselves, I suppose, against any irregularities of their members, if they find them. For instance, they lay out rules and regulations, and anybody that violates those is fined.

Senator NORRIS. Well, if a man has shipped in his own stock, now, what difference would there be between him in your stockyards and one of the commission men? Would there be any difference?

Mr. MURPHY. I would not say that there would be, unless, of course, the buyer might try to take advantage of them. We have had cases where the shipper comes in and sells to the buyer direct. We have no objection to that at all.

Senator NORRIS. Do the commission men have objection to that?

Mr. MURPHY. Well, that does not cut any figure. If the man sells his stock and gets the money, that ends the transaction.

Senator NORRIS. What I was getting at was whether this organization would in any way handicap a man who comes in and wants to sell his own stock? Is not that one of the objects of it?

Mr. MURPHY. Well, I am not a member.

Senator NORRIS. But you are right there, and you know what they are doing.

Mr. MURPHY. Well, I suppose maybe that would be true, but where a man sends his stock direct to the buyers I do not suppose that would occur over twice a year.

Senator NORRIS. Well, that is because they do not bring it in that way. He ships it in. He sends it to a commission man?

Mr. MURPHY. Certainly, yes. Ninety-eight per cent is consigned to a commission man.

Senator NORRIS. In the handling of live stock from the producer to the consumer, do you suppose it would be possible to cut out any of those steps and any of the expense connected with it?

Mr. MURPHY. Well, I do not see who would be benefited by it; certainly not the producer.

Senator NORRIS. Could there be any expense cut out that would help the consumer?

Mr. MURPHY. Well, that is a question.

Senator NORRIS. Take the commission man, for instance; could he be eliminated in any way?

Mr. MURPHY. Not with profit to the consumer or to the business, no. In my judgment it establishes an equilibrium. It makes a business. That is to say, these commission men, of course, study the market continually—that is their business—and the packers and the buyers and the speculators study the market conditions. Now, of course, for instance, as a commission man might make a mistake as to the trend of the market, and a speculator might do the same thing. But if it were left haphazard, and a man did not specialize in it, it seems to me it would be disastrous. I think it would destroy the incentive to raise stock, and I do not think it would be as steady or as satisfactory. That is my judgment.

Senator GRONNA. Is Swift & Co. the only one of the big packers that operates a packing plant in your city?

Mr. MURPHY. The only one of the so-called Big Five.

Senator GRONNA. The witness, before you, I think, stated that Armour operated in his town. Is it not generally understood that

only one of the Big Five packers will operate in any of these small towns?

Mr. MURPHY. That I could not say. At least I know nothing about it from personal knowledge. Swift & Co. not only have a large packing plant there, but they also have two branches in the heart of the city.

Senator GRONNA. But they are the only one of the Big Five who operates in Cleveland?

Mr. MURPHY. Yes; that is true.

STATEMENT OF MR. J. S. McFADYEN.

Mr. McFADYEN. Mr. Chairman and gentlemen, I represent the Pittsburgh Union Stock Yards, of Pittsburgh, Pa.

My attention was called some time ago to the Sims bill, No. 13324, and then to the bill introduced in the Senate by Senator Kendrick, No. 5305, in reference to stockyards and packing houses, and I came here to lodge a protest against these bills.

Possibly our position in Pittsburgh is a little different from the position of the average stockyards and packing houses. Our late president, Samuel W. Allerton, who was one of the large live-stock raisers and farmers of this country, established stockyards in Pittsburgh in 1865, just after the Civil War, and operated those yards until 1903, at which time the property became so valuable, being in the residential part of Pittsburgh, that we were compelled to move to a place called Herr's Island, which is in the middle of the Allegheny River. The property which we are operating on at the present time is owned and controlled by what they call the Pittsburgh Joint Stock Yards Co. The original owners are the Pennsylvania Railroad, the Panhandle, the Pittsburgh, Fort Wayne & Chicago Railroad, and the Baltimore & Ohio Railroad Co.

Senator NORRIS. That is all Pennsylvania except the B. & O.?

Mr. McFADYEN. Yes, sir.

Senator NORRIS. And even that is Pennsylvania, too.

Mr. McFADYEN. No. The property consists of approximately 30 acres. We leased this property from the Pittsburgh Joint Stock Yards Co., in 1914, for a period of 10 years; with the privilege of a renewal for 10 years more, at a rental of \$107,000, and some odd dollars, per year. In that lease the Pittsburgh Joint Stock Yards Co. gave us the privilege of re-leasing a certain portion of that ground for a packing house, called the Pittsburgh Provision & Packing Co., which Mr. Allerton founded. He considered it the part of wisdom to have a packing house located at a stockyards so as to encourage shippers of live stock to come to Pittsburgh.

There are eight stockholders in our concern. I will give you the names. The names of the stockholders are as follows:

	Shares.
Robert Allerton.....	3, 150
Agnes C. Allerton.....	2, 930
Kate A. Johnstone.....	960
William P. Williams.....	102
Chauncey W. Martin.....	60
J. S. McFadyen.....	100
George N. McDonald.....	100
J. Ogden Armour.....	4 572

Now, the stock that Mr. Armour controls was purchased from Mr. J. D. Callery, who was formerly president of the Pittsburgh Railways Co., of Pittsburgh, and a partner of Mr. Allerton's. He had two brothers, who have since died—W. V. Callery and C. D. Callery. Mr. Armour negotiated with him for the purchase of this stock and he sold it to him. Our capital is \$1,200,000.

Senator NORRIS. All paid?

Mr. McFADYEN. There was \$600,000 paid in.

Senator NORRIS. And the balance is stock dividends?

Mr. McFADYEN. No; the balance was put in property in the packing house. You see the money was put in the packing house. We have a property value in the packing house of \$809,000, according to our books. All buildings that were erected for the packing-house industry were put up at our expense, subject to a depreciation of 4 per cent, by the Pittsburgh Joint Stock Yards Co.

Senator GRONNA. How much dividend did you declare this year?

Mr. McFADYEN. The stockyards or the packing house?

I wish to mention that in 1914 we segregated the packing house from the stockyards company. Here is an abstract from the minutes of the Pittsburgh Union Stock Yards. If you care to have me, I will read it.

Senator NORRIS. All right.

Mr. McFADYEN. At a stockholders' meeting, under date of September 8, 1914, this occurred:

That it is the sense of this meeting that the directors of this company take such action as may be necessary to bring about a distribution of the stock of the Pittsburgh Provision & Packing Co. among the stockholders of this company, pro rata, as soon as the same can be conveniently and properly done.

The directors' meeting under date of December 30, 1914:

On motion, the following resolution was unanimously adopted:

Whereas this company is owner of all the capital stock of the Pittsburgh Provision & Packing Co., and the ownership of such stock, the payment of dividends by the Pittsburgh Provision & Packing Co. to this company and the redistribution of the same by this company among its stockholders necessitates, under the Federal income-tax law, the payment of a double tax; and Whereas the stockholders of this company at the last annual meeting by resolution declared it to be the sense of the meeting that this company should distribute among its stockholders the stock of the Pittsburgh Provision & Packing Co.: Now, therefore, be it

Resolved, That this company so distribute, pro rata, among its stockholders of record on December 30, 1914, the stock of the said Pittsburgh Provision & Packing Co.; that is to say, by transferring its stock so that the holders of each two shares of stock in this company shall receive a certificate of one share of stock in the Pittsburgh Provision & Packing Co.; and that the proper officers of this company be, and they are hereby, authorized and directed to take such action as may be necessary to bring about the distribution of such stock

Senator NORRIS. Now, that resulted, in effect, in the increase in the capital stock?

Mr. McFADYEN. No; we let the capital stock of the Pittsburgh Union Stock Yards Co. stand. I had a talk with the auditor general in Harrisburg, that we were going to reduce our capital stock to \$600,000 on the stockyards after the segregation of the packing company, and he said it was not necessary. He said, "You may at some future time wish to increase it"; and so he suggested that we let it stand.

Senator NORRIS. Is the capital stock of the stockyards company the same now that it was before you took that action?

Mr. McFADYEN. Yes, sir.

Senator NORRIS. Then the stockyards company owned in its name all the stock of that other corporation?

Mr. McFADYEN. Of the Pittsburgh Provision & Packing Co. up until this time.

Senator NORRIS. Well, how did that decrease the income tax? That was the object of it, was it not?

Mr. McFADYEN. Well, the Pittsburgh Provision & Packing Co. would pay their entire earnings into the stockyards company, and the stockyards company would distribute to the stockholders the earnings of the packing company, they being the parent company.

Senator NORRIS. You distributed to your own stockholders?

Mr. McFADYEN. Yes.

Senator NORRIS. And not to the others?

Mr. McFADYEN. They were all the same. The stockholders are the same in the packing house as they are in the stockyards company. There are eight stockholders.

Senator NORRIS. You made two corporations instead of one?

Mr. McFADYEN. Yes.

Senator NORRIS. How much did that decrease your income tax?

Mr. McFADYEN. Well, I imagine about fifteen or eighteen hundred dollars a year.

Senator GRONNA. Did you issue any more stock?

Mr. McFADYEN. No, sir.

Senator GRONNA. You just divided the stock?

Mr. McFADYEN. Just divided the stock in the company.

Mr. GRONNA. What was the profit of the two companies—or you may separate them if you want to—you might give that.

Mr. McFADYEN. I have not the packing-house profits, but the packing house paid for a period of 10 years approximately 20 per cent; and the stockyards has paid as follows:

In 1910, 2 per cent; in 1911 it paid 5 per cent; in 1912 it paid 2½ per cent; in 1913 it paid 7 per cent; in 1914 it paid 8 per cent; in 1915 we declared no dividend.

We were out of business in 1915, owing to the foot-and-mouth disease.

In 1916 it paid 5 per cent; in 1917 it paid 10 per cent; in 1918 it paid 6 per cent.

That is over a period of nine year about 5 per cent.

Senator GRONNA. That is all net?

Mr. McFADYEN. Yes, sir.

Senator GRONNA. And what are the wages of all your executive officers?

Mr. McFADYEN. Our president, Robert Allenton, receives a salary in both companies of \$1,250 each, making \$2,500. He claims that a man that does not attend exclusively to his business as an executive officer should not be paid as if he gave all his time to the business.

Senator NORRIS. Well, he is a philanthropist. I am afraid that if he listened to the testimony before this committee he would demand an increase in his salary.

Mr. McFADYEN. Our vice president receives \$7,500; \$3,750 from each company.

My salary is \$10,000 a year. I have no salary in the packing house at all.

Senator NORRIS. Now, then, as I understand it, you object to both these bills?

Mr. McFADYEN. Absolutely.

Senator NORRIS. Do you think there ought to be any legislation on the subject?

Mr. McFADYEN. Well, if legislation could be brought about that is fair and just—I have no objection to the legislation that is fair.

Senator NORRIS. Well, do you think there is any necessity of any legislation?

Mr. McFADYEN. As far as I am concerned, I do not think so.

Senator GRONNA. Do you own your own refrigerator cars?

Mr. McFADYEN. Yes; 36.

Senator GRONNA. Supposing everything else was eliminated from the bill and only those provisions affecting refrigerator cars were left, you would have no objection to the bill?

Mr. McFADYEN. Not in the least.

Senator GRONNA. Or if we leave in the bill the question of divorcing or separating stockyards from the packing plants?

Mr. McFADYEN. We are separated now.

Senator GRONNA. Yes. And you have no objection to that?

Mr. McFADYEN. Not in the least.

Senator GRONNA. Of course the same stockholders that own the packing plant own the stockyards?

Mr. McFADYEN. Yes; but we are absolutely separated.

Senator GRONNA. It is identically the same thing; the same people own it.

Mr. McFADYEN. Yes; we built up the business through years of hard work and efficiency.

Senator NORRIS. Where do you get your stock from mostly?

Mr. McFADYEN. Ohio, Indiana, West Virginia, and some parts of Kentucky, and occasionally from Michigan and Illinois.

Senator NORRIS. Is most of the stock that is sold on the market slaughtered right there?

Mr. McFADYEN. No. About 40 per cent is slaughtered there and 60 per cent shipped—that is, to eastern Pennsylvania, to little slaughtering establishments.

Senator NORRIS. Where they do not have stockyards?

Mr. McFADYEN. Where they do not have stockyards. Take the coal regions, for instance. They slaughter their live stock at home. They come to Pittsburgh and buy live stock, maybe a mixed load, and that is shipped to the coal regions—such places as Somerset, Dunbar, Morrelleville, and other small places throughout that region—and the butchers there will slaughter the animals for their trade. They depend upon that market, and also they ship to Philadelphia, Baltimore, and Washington. They ship live stock to those points from the Pittsburgh market.

Senator NORRIS. And some to Frederick, Md.?

Mr. McFADYEN. Oh, yes.

Senator NORRIS. What is that plant at Frederick? Do you happen to know who owns that?

Mr. MCFADYEN. There are several places at Frederick. I think that is included in the Baltimore district.

Senator NORRIS. Do you ship any to the Old Dutch Market?

Mr. MCFADYEN. Well, if you will give me the name I may be able to tell you.

Senator NORRIS. I can not now give you the name of the slaughterhouse, but they get their meat from Frederick, I think.

Mr. MCFADYEN. There are 15 in the Baltimore district—15 slaughterers—who all buy live stock on the Pittsburgh market.

Senator NORRIS. Are any of them controlled by the big packers, so far as you know?

Mr. MCFADYEN. Not that I know of.

Senator NORRIS. Have you any knowledge, one way or the other, about it?

Mr. MCFADYEN. No; I have not. You mean of these in Baltimore?

Senator NORRIS. No; I mean all of these small places.

Mr. MCFADYEN. No; I do not. I know the packers do not control any of the slaughterhouses around Pittsburgh. We have several packing establishments within a short distance of the yards which have been there for a great many years.

Senator NORRIS. Who are some of them?

Mr. MCFADYEN. There is William Zoller, Fred Reinhman, Dunlevy Bros., J. M. Denholm, and Pittsburgh Provision & Packing Co. They kill from 2,000 to 6,000 head of hogs a week, from 100 to 900 head of cattle. They are not controlled by the packers.

Senator NORRIS. Those are all Pittsburgh institutions?

Mr. MCFADYEN. Yes.

STATEMENT OF MR. F. B. EDMANDS, TREASURER AND GENERAL MANAGER OF THE CINCINNATI UNION STOCK YARDS, CINCINNATI, OHIO.

Mr. EDMANDS. Mr. Chairman and gentlemen of the committee. We operate a small yard compared to what most of these big western markets are. It is a yard with a capital of a million and three quarters. There are 296 stockholders. Practically all of these stockholders reside in Cincinnati.

We have a number of small packing concerns, the largest one of which is the Cincinnati Abattoir Co. They killed last year about 150,000 cattle and about 450,000 hogs. The rest of the concerns are very small. We have an open market.

Senator NORRIS. You represent the stockyards, do you?

Mr. EDMANDS. The stockyards company, yes, sir; in which there are 15 commission firms, selling live stock and there are 3 in the business of buying for outside concerns.

About 60 per cent of our receipts are killed in Cincinnati. The rest are shipped on order. I have been around the stockyards for the last 25 years; and to my best knowledge and belief there is no combination of any sort in the buying or in the selling. Of course, you understand, from the testimony of these other stockyards men, that the stockyards company has absolutely nothing to do with the marketing, so far as the trading is concerned. The stockyards company furnishes the facilities in the market, they unload the stock,

deliver it to the sales pens, and after it is sold they weigh and take care of it until it is called for by the buyer.

The source of income is from the yardage, the feed, the bedding, and the unloading of cars, and rent from office buildings.

I have read the House bill and the Senate bill, and I can not see where either the producer or the consuming public would be benefited by either bill.

Senator NORRIS. Do you think there is any need of any kind of legislation on the subject?

Mr. EDMANDS. Not in the market that I know anything about.

Senator NORRIS. Well, from your general knowledge of the country, do you think that there ought to be any legislation?

Mr. EDMANDS. No; Senator, I can not see the need of any legislation at all.

Senator NORRIS. Do any of the so-called big packers do business at Cincinnati?

Mr. EDMANDS. They buy stock in our market. For instance, if our market gets a little low they come in and buy it, through these order buyers.

Senator GRONNA. They have no plant there?

Mr. EDMANDS. They have no plant and no interest in any plant there.

Senator GRONNA. Your plants are small, I suppose, compared with the Chicago plants?

Mr. EDMANDS. I think the last time I counted up we had 41 slaughtering establishments in Cincinnati, 31 of which had Federal inspection and 10 only city inspection. That is, they did not seel their product outside the State of Ohio; and all these slaughterers, whether they are large or small, have their buyers on the market—may be not every day, but to supply their needs—and none of the big packers has any slaughtering establishment there at all.

Senator GRONNA. Would you consider that the business of these plants in your city, being comparatively small, is as efficiently conducted as it is in Chicago?

Mr. EDMANDS. No; I would not say that it was. The larger the plant, I would say, the more efficient it should be. Of course, the abattoir company does a good deal of business, and it has done a good deal of Government business in the last two years. I understand this year that that business will run about \$30,000,000. But that is only hearsay.

Senator GRONNA. Would they, in your judgment, be able to compete with the large packers, providing the large packers saw fit to go into their market?

Mr. EDMANDS. I do not know any reason why they should not. I think when they took bids on the cantonments, they had three cantonments at one time that they were supplying meat to.

Senator NORRIS. Where does most of your stock come from?

Mr. EDMANDS. Ninety-two per cent comes from a territory within 150 miles of Cincinnati.

Senator NORRIS. And a good deal comes in on wagons and trucks, I presume, does it not?

Mr. EDMANDS. A good deal of it does; yes, sir. During the month of January, out of receipts of about 150,000 hogs, we had somewhere between 25,000 and 30,000 hogs that came in by truck.

Senator NORRIS. You have studied the question of slaughtering enough, I presume, to know the economy of slaughtering and shipping the carcass, as compared to shipping the live stock itself before it is slaughtered?

Mr. EDMANDS. I have no knowledge in regard to that, Senator, except that I do not know whether it is generally known or not, but we have quite a good trade in our yard, for instance, from New York and eastern points.

Senator NORRIS. That is the dressed product?

Mr. EDMANDS. No; the live product. It must be shipped on foot, because of the great demand of the Jewish race in New York; and that meat has to be eaten within a certain time.

Senator NORRIS. Within 72 hours, I believe.

Mr. EDMANDS. Yes, sir; within 72 hours.

Senator NORRIS. And I understand it has to be killed by a rabbi.

Mr. EDMANDS. It has to be killed by a rabbi; yes.

Senator NORRIS. That would apply, of course, only to places where there were large Jewish settlements, a large Jewish population.

Mr. EDMANDS. But, as I say, a good deal of our product goes out on that kind of an order.

Senator NORRIS. Is there any other place except New York where that is done?

Mr. EDMANDS. Not to any extent that I know of. There is a little of it done in Cincinnati, but not a great deal.

Senator NORRIS. I do not know that it has anything to do with this bill particularly, but I am a little curious to know about it; that is, what do the Jews do in other localities where they are not supplied as they are in New York, how do they get along for meat?

Mr. EDMANDS. I really do not know.

Senator NORRIS. Is their religion suspended on account of that situation?

Mr. EDMANDS. It may be like it is, I am told, with some Roman Catholics who guess on Friday, or something of that sort.

Senator NORRIS. Well, taking the country as a whole, and on the proposition of a broad economic view, it would be better, would it not, if we had a whole lot of markets, like you have in Cincinnati and like there are in Cleveland and Indianapolis, and had the slaughtering done at such places rather than have it confined to a few very large slaughtering houses, where the live stock has to be shipped such long distances?

Mr. EDMANDS. Well, I would imagine, Senator, that the country would be big enough to take care of quite a few centers like Cleveland, Cincinnati, and Indianapolis.

Senator NORRIS. Cincinnati used to be a much larger packing-house center than it is now, did it not?

Mr. EDMANDS. Well, we were years ago; but last year we handled more stock than we have handled any other year before.

Senator NORRIS. I was under the impression that you were going down?

Mr. EDMANDS. No; but other places have outgrown us. They handle vastly more products in number.

Senator NORRIS. They handle it on a little different scale, do they not?

Mr. EDMANDS. Yes. We are what is known as a retail market. For instance, a buyer will go into a pen and maybe pick out this animal and that animal and another animal, and a very large percentage of our stock is sold in carload lots. Our average is something less than three cattle.

Senator NORRIS. Of course, in the western country, where the population is more sparse, that situation could not have been brought about?

Mr. EDMANDS. No; I do not think it could.

Senator NORRIS. The point I am reaching is this: I do not know how it could be brought about, but whether it would not be a good thing for the country if all through the East and Middle West, where the country is thickly settled, there were not in all communities at least two or three places like there are in certain sections of Ohio and Indiana, markets and slaughtering houses on a small scale; for instance, like you have in Cincinnati.

Mr. EDMANDS. I do not know any reason why there should not be. I think they could be conducted economically.

Senator NORRIS. Do you know whether through New England they have such markets as you have there through Ohio and Indiana?

Mr. EDMANDS. They have a market, I understand, in Boston. I am not familiar with it, but I understand there is a market there, at Brighton, I think. Of course, at Jersey City there is quite a large market, across from New York. There is quite a good-size market at Baltimore, also at Philadelphia, and at Harrisburg, Pa.

Senator NORRIS. Where there is slaughtering done?

Mr. EDMANDS. I am not so sure of Harrisburg. But there is at these other places.

Senator NORRIS. That is all.

Senator GRONNA. I have not any questions.

Mr. EDMANDS. I am much obliged for your courtesy.

STATEMENT OF MR. ARTHUR G. LEONARD, ON BEHALF OF THE UNION STOCK YARDS & TRANSIT CO., OF CHICAGO.

Mr. LEONARD. Mr. Chairman and gentlemen of the committee, in discussing this bill I propose to place before you in a general way the corporate history of the Union Stock Yards & Transit Co.; then, in a general way, to discuss the activities or functions of the Union Stock Yards & Transit Co. with respect to the handling of live stock; and, third and lastly, the attitude of the corporation, its officers, and stockholders toward the pending legislation.

First, as to the corporate history of the Union Stock Yards & Transit Co.: The live-stock markets and stockyards of the present day are the natural outgrowth of the Old World market day for fair held in neighboring towns. This Old World method could not be following in this country for the reason that distances were great and settlements spread so far apart that regular market days could not be held. Consequently, live-stock markets were established. One of the directors of this company, Mr. Lafayette Funk, of Bloomington, Ill., in former years regularly drove his live stock from Bloomington to Chicago, a distance of 140 miles, and often to Milwaukee, a still greater distance of 35 miles.

In the early sixties there were several live-stock markets in Chicago where cattle were sent for sale and sold. The condition was unsatisfactory both to the producer and killer, owing to fluctuations in market prices between the various markets in the same city at the same time.

Partially to remedy this condition, and partially for the purpose of establishing a market which would attract live stock offered for sale from all the territory which might be tributary to Chicago, and conceiving even in those early times the possibility of creating the greatest live-stock market in the world, the railroads then centering in Chicago consolidated their various stock markets into an organization called the Union Stock Yards & Transit Co. of Chicago and obtained a charter for such stockyard company from the State. The railroads contributed the money toward the enterprise, owned the stock, and elected the directors. The stockyard company so incorporated acquired a portion of its present property which was then far beyond the city limits of Chicago, and the enterprise was started.

This condition of affairs, to wit, the ownership by the railroads of the capital stock of the stockyard company and the election by the railroads of the directors of the stockyard company, continued for a period of years, until the railroads found it undesirable to attempt to operate as an adjunct to their railroad systems a stockyard company, sold their stock to outside buyers, and by the year 1890 ceased to have any representation on the board of directors.

As the result of such changes, the stock of the company became widely scattered here, there, and yonder throughout the United States.

Shortly after this time the necessity of additional financing for the corporation became very pressing. The corporation had already expanded far beyond the dreams of its early promoters. New capital was required for enlargements and betterments. On the other hand, the charter of the company as fixed in 1865 limited the amount of bonded indebtedness which the company could incur. In order to meet this exigency the stockholders of the company conceived the idea of organizing a holding company and of raising through collateral trust securities issued by the holding company, capital necessary to meet the ever-growing demands of the operating company; and this explains the organization of what is now known as the Chicago Junction Railways & Union Stock Yards Co. of New Jersey.

With money acquired through the holding company and through the assistance of the holding company, large capital expenditures were made by the corporation for additional facilities, improvements, and betterments, and also the corporation, together with the holding company, adopted the policy of offering inducements to increase the number of buyers appearing in the yards; that is, increase the competition for live stock coming to the stockyards for sale. This policy on the part of the company was so successful that, though Congress by the act of Congress of 1903, as construed by the Supreme Court of the United States in the Pfaelzer case, prohibited the company from continuing its policy of making inducements to new packing houses, the attractions offered by the yards, however, had already been developed to such an extent that, in addition to the so-called five big packers which are mentioned so frequently by the Federal Trade Commis-

sion, there are, as a matter of fact, some 40 or 50 packing houses at the present time doing business and buying cattle at the market of the Union Stock Yard & Transit Co.

At the risk of repetition, and for the sake of emphasis, I desire to impress upon the committee the importance of the statement last made, to wit, that the corporate history of the Union Stock Yards & Transit Co., of Chicago, shows that it has constantly sought to increase the number of buyers at its market; that until Congress prohibited it from so doing it used its corporate funds for that purpose; that, as a result of its efforts over a period of years, there are now, in addition to the five big packers, some 40 to 45 local packers and partnerships buying stock at its market and engaged in the packing business. Not only so, but the market furnished by the stockyards has been placed upon such a broad and comprehensive basis that buyers of live stock from all over the United States are constantly found at the Chicago markets buying live stock, not only for packing-house purposes, but also for feeding purposes.

Second. I come now, gentlemen of the committee, to the functions or activities of the Stock Yards Co. with respect to the handling of live stock and the service that it renders the producer.

Under its charter the Union Stock Yards & Transit Co. engaged in a number of activities which are not essentially related to the handling of live stock and in a number of activities which bear a very close relation thereto.

Confining myself to the latter, in the first place, the Stock Yards Co. has constructed, maintains, and operates a very large and commodious hotel for the convenience of the patrons of the market which exists by reason of its yards. At this hotel guests from all over the world are welcome and are provided for. The Stock Yards Co. also has erected a large office building in which it rents offices to commission men and others doing business at the market. These offices or rooms are open to any tenant with good standing who desires to rent the same.

With respect to the handling of live stock: The railroad companies transporting live stock from all parts of the United States come in under their own power to the unloading docks and platforms established by the Union Stock Yards & Transit Co. of Chicago. These cattle trains are likely to arrive at any hour of the day or night. As many as 3,200 cars loaded with inbound live stock have been delivered at these platforms for unloading in one day. The average train, containing 40 cars of live stock, is immediately unloaded by the employees of the Stock Yards Co. This is so expeditiously done that it frequently happens that by the time the railroad company can switch the engine drawing the train in from the front of the train to the rear of the train for the purpose of drawing it out, the entire train will be unloaded. To state it in another way, these trains are unloaded so expeditiously that on the average a train is unloaded before the way bills can be called off.

The cattle so unloaded are placed by the Stock Yards Co. at what are known as the unloading chute pens. The commission men to whom they are consigned by producers from all over the United States are immediately notified of the arrival of the stock and of the chute pens in which the consignment to each commission man

has been placed. The commission men thereupon visit the chute pens, with their employees, take possession of the cattle and place them in permanent pens where they are kept until disposed of by the commission men in the open market.

Outside of the service of unloading, the Stock Yards Co. has nothing whatever to do with the cattle, except to water them, to house them, and, on order of commission men or their representatives, to feed them until they are sold.

The interest of the producer is the interest of the stockyards. The two are linked together inseparably. At this very instant they stand shoulder to shoulder in a controversy with the railroads before the Interstate Commerce Commission, in a case long pending there, wherein the railroads are trying to shift onto the producer the expense of unloading the live stock. In this litigation the stockyards and the producer are both insisting that the service of unloading should be paid for by the railroad company and not by the producer.

Whatever the stockyards company can do to make its market more attractive to the producer, common sense requires it to do, because the more cattle that are shipped to its market, the more attractive its facilities become to the producer.

Almost 20 years ago we recognized the fact that the high price of land in the Middle West would not permit the farmers to profitably continue along the old lines of producing 4 or 5 year old steers, also the fact that he had to be shown. The International Live Stock Exposition was then organized—not for profit; no capital stock or shares—to give ocular demonstration that cattle could be furnished profitably for this market in 18 to 30 months, which enables the producer to make a turnover twice in the same period instead of once; also to show the potency of good blood in breeding cattle, sheep, swine, and draft horses.

We have encouraged in every way the forming of boys' and girls' live-stock Fridal clubs in the various States by offering as a prize a trip to the International Live Stock Exposition, all expenses paid, to the championship women of each county in the respective States where they are organized.

As a matter of fact, however, what the stockyards really do for the producer is to maintain a hotel for the producers' cattle until they are sold. So far as the stockyards company is concerned, the packer is really nothing more or less to it than a buyer doing business at the market provided by the stockyards, the same as any other buyer; and it has been the effort of the Union Stock Yards & Transit Co. at Chicago to increase, by every conceivable means known to the law, the number of these buyers. In this it has been successful.

The Union Stock Yards & Transit Co., of Chicago, now owns and operates an open market where more cattle are bought and sold than in any other two markets in the world.

Third. This naturally leads me, gentlemen, to discuss the attitude of the Union Stock Yards & Transit Co., of Chicago, its officers and stockholders, toward pending legislation. We solemnly assert, without fear of contradiction by those that confine themselves to the truth, to the extent it is suggested that the property or policy of the Union Stock Yards & Transit Co., of Chicago, is dominated or controlled by

the so-called five large packers, or that it is within the power of any one of the so-called five large packers, or of any combination of large or small packers, to dominate or control it. Such suggestion is wholly without foundation in fact.

It has been asserted that the reason or purpose of the pending legislation and of those supporting it is by means thereof to strike directly or indirectly at the packers. If this be so, it must be clear to the most casual observer that the passage of this bill, if it should be passed, and the subsequent acquisition or control of the property of the Union Stock Yards & Transit Co. would be a wholly useless step in such a program.

It must be evident to every thoughtful man that the ownership or operation by the Government of these stockyards would not place in the hands of the Government, or any of its officials, any other or greater control over the packers than the Government has to-day.

The Government, by taking the stockyards, would not get any control directly or indirectly over the packers. As has been stated, all that the Union Stock Yards & Transit Co. of Chicago does with respect to live stock is to feed and house the cattle which are sent to its market from all over the United States until such time as they are sold and pass into the hands of the purchaser. That is its only function. With respect to such function, it makes no difference to the packer who furnishes the facility so long as the facility is furnished.

In this connection, this company begs leave to ask this committee that if, in spite of the facts contained in this statement, the committee should feel that the ownership of a negligible percentage of the stock by Mr. Armour in a holding company which owns the stock of the operating company is objectionable, then why not by law make it unlawful for anyone to be jointly and simultaneously interested in a stockyards company or the shares of a stockyards company owning stockyards and a packing house doing business at its market? While this company, its officials and stockholders, do believe that there is no necessity for such legislation, so far as this company is concerned, nevertheless, they respectfully submit to the committee that such legislation would be far better for the country than for the Government either to take the property of the company or to regulate it so as to destroy independence and stifle the initiative of its officers. In addition to the fact that the ownership or control by the Government of the stockyards would not in the slightest degree affect the packers so long as a market was furnished for the sale of live stock, the Union Stock Yards & Transit Co. of Chicago, its officers and stockholders, upon the question of the general policy of the acquisition by the Government of its stockyards, respectfully make the following statement:

First. As citizens of this country, they would greatly regret the entrance by the Government into this additional field of commercial activity. Such action on the part of the Government is objectionable, not only for political reasons, which are self-evident, but also because it destroys initiative, impairs efficiency, induces rigidity in operation where there should be the greatest of flexibility and increases costs. Not only so, but if the Government should take the stockyards, it would find itself a malestrom of a triangular fight,

wherein the producer was clamoring for higher prices, the wage-earner for higher wages, and the consumer for lower prices. How the Government, which would then be responsible for both costs and prices, could meet these antagonistic and irreconcilable demands, passes human comprehension.

Second. As I have said, as citizens of this country, this company, its officers and stockholders, are opposed to this legislation. But as private owners, seeking their best advantage, irrespective of the welfare of the country at large, this company would be very glad to have the Government pay them the fair value of their property, and they would be very glad to distribute the proceeds of such payment and to retire from this field of business.

For many years the earnings of this property were poured back into the property. Not only so, but the property has greatly enhanced in value.

If, instead of making capital disbursements out of the surplus for a period of years, and following what was once supposed to be a conservative financial policy, the company had capitalized all of its capital disbursements—had taken into its capital account the increased value of its property, as now seems to be the fad in financing prosperous concerns—the rate of dividends which could be paid upon such capitalization out of the earnings of the company would be exceedingly small.

Third. While, as has been said, the company would be glad to have the Government take its property and pay for it, yet, its officers and stockholders protest against the passage of any legislation which will still further subject them to regulations established by public officials who have none of the interests of owners, and none of the responsibilities of ownership. They respectfully insist that if the Government proposes to assert the privilege of owners over their property, the Government should, in fact, become the owner and assume the responsibilities of one. It should not make it impossible for the real owner to exercise the rights of an owner. They protest against having their business squeezed dry, as they believe to have been the case with great public utilities within the past few years. They respectfully assert that they have always managed their business with due respect to the rights of the public; that they have furnished a great facility for the marketing of live stock, which has been and is open to the entire world, and is the largest facility of its kind in existence; that their management has given cause for little, if any, public criticism.

Irrespective of the truth or falsity of the charges made against the packers, as to which this company expresses no opinion, and irrespective of the sources from which such charges emanated, or the merits or demerits thereof, this company respectfully asserts that it is not responsible therefor; that this company has a clean record of more than 50 years of service, which has, in the main, been satisfactory to those who have been making use of its facilities. It is neither just nor fair, irrespective of its political desirability, that the Congress of the United States should attempt to deprive the company and its stockholders of their property.

Senator NORRIS. What was the idea of organizing this holding company in New Jersey?

Mr. LEONARD. It was to get additional capital.

Senator NORRIS. I know; but why did you not organize it in Illinois?

Mr. LEONARD. Senator, that was before my time. I have been there 20 years, and it was more than 20 years ago.

Mr. SHAW. I can answer that question later on, if you care to have it answered.

Mr. LEONARD. Mr. Shaw is one of our directors and will answer that question.

Senator NORRIS. What is the capital stock?

Mr. LEONARD. \$13,500,000.

Senator NORRIS. That is of the holding company?

Mr. LEONARD. That is of the operating company.

Senator NORRIS. Is that the holding company?

Mr. LEONARD. I do not know the capital stock of the holding company.

Senator NORRIS. What is your position?

Mr. LEONARD. I am president of the Union Stock Yards & Transit Co., of Chicago, the operating company.

Senator NORRIS. What is the difference between the operating company and the holding company?

Mr. LEONARD. The only difference is that the operating company is a producer and turns its profits over to the holding company.

Senator NORRIS. And the holding company in turn turns its profits over to the other company?

Mr. LEONARD. To whom it may concern.

Senator NORRIS. There is another one below it, is it not?

Mr. LEONARD. The main company? I will say the first time I heard of that was when I heard of Mr. Heney's revelation.

Senator NORRIS. So you do not know anything about that?

Mr. LEONARD. No; it is beyond me.

Senator NORRIS. Do you know anything about the profits?

Mr. LEONARD. Of the Stock Yards Co.?

Senator NORRIS. Yes, sir.

Mr. LEONARD. Yes, sir; 8.4 per cent we pay.

Senator NORRIS. On what?

Mr. LEONARD. On \$13,500,000.

Senator NORRIS. Do you know how that stock is composed, what it represents in the way of payment in cash and stock dividends?

Mr. LEONARD. I understood it was all paid in in cash from time to time.

Senator NORRIS. This is the largest stock market in the world, is it not?

Mr. LEONARD. Yes, sir.

Senator NORRIS. I wanted to ask you what I asked the other witness, an economic question. It may be beneficial some time for legislation. Would it be better for all the people generally if, instead of having such a large market in Chicago and hauling the stock so far, there were other markets and slaughterhouses in smaller places?

Mr. LEONARD. Evidently not. In our endeavor to increase competition at the yards, and increase the buying power there, I have sent men down over the New York Central, the Delaware, Lackawanna & Western, and the Lehigh Valley, and the Erie road, those roads running east from Buffalo, where there is a density of population,

and endeavored to persuade the butchers in the various towns to club together and get a carload of stuff and slaughter it themselves. We were quite successful in that for the time being, until they found that they could do better by buying otherwise, apparently, and that has sloughed off to a certain extent; I do not know to what percentage.

Senator NORRIS. That leads me to this question. I do not know whether you know anything about it, but do you know why it sloughed off?

Mr. LEONARD. No; I do not know why it sloughed off. In Schenectady that continual competition from our friends in Cleveland and Indianapolis has taken some of that trade from us. During our foot-and-mouth disease in 1914 and 1915 we lost considerable buying power in the East to Cleveland, Cincinnati, and Indianapolis.

Senator NORRIS. You have heard the claim, I suppose, that the so-called big packers, and maybe the smaller ones in a less degree, prevent the slaughtering in various localities by butchers, underselling them if they go into the business, and really coercing them into buying their slaughtered stock of these large packers.

Mr. LEONARD. I have heard that statement.

Senator NORRIS. Do you know anything about it?

Mr. LEONARD. No; I would not know about that. I have too much to do to attend to my own business. But I have a summer home at Gloucester, Mass. There they kill in the cold weather. During the hot weather they do not. And yet Swift has a branch house there; a cold-storage place.

Senator NORRIS. I understand the packers deny that they do that now.

Mr. LEONARD. That is just a personal experience because of my residence there.

Senator NORRIS. I have been told by local butchers in the town where I live—although I think they slaughter some right there—that that was attempted. I have been told by men who claimed to me that they were driven out of business by that kind of procedure, and that after they got them out the price went up.

Mr. LEONARD. I rather felt that. There is a facility, you know, of transportation in the dressed beef that they want. There is a certain lot of cow beef taken, something of that sort. I have heard some buyers making that statement, buyers on the market from Boston. But I think it is an economic proposition to concentrate at the larger centers as they have been doing.

Senator NORRIS. Do you think it would be economy to ship that stock ready for slaughter from, let us say, Cheyenne, Wyo., to Chicago?

Mr. LEONARD. Absolutely.

Senator NORRIS. Would it be more economical to do that than it would be to ship it to Sioux City and slaughter it there and send the dressed carcass wherever you wanted it?

Mr. LEONARD. I am rather biased on that. Perhaps it would not be a fair answer to make to that question.

Senator NORRIS. You are prejudiced in favor of Chicago?

Mr. LEONARD. Absolutely. I think they offer the best results in the world for the producer right in Chicago.

Senator NORRIS. You know there is a great deal of shrinkage in shipping live stock great distances.

Mr. LEONARD. Yes, sir. And stock has been shipped from the Imperial Valley, in California, to Chicago and shipped to Kansas City also. We have large shipments from Canada.

Senator NORRIS. The question I want to reach is whether it would be economic, taking the whole country into consideration, for a large number of packing establishments to be located nearer the source of supply so that the shipment could be made in refrigerator cars instead of shipping the live stock?

Mr. LEONARD. Theoretically one would suppose that that would be true, but practically I do not think that it can be true, Senator. Overhead is a fearful old slave driver—overhead charges and expenses.

Senator NORRIS. What one of the big packers owns the Chicago Stock Yards, or the stock—do you know?

Mr. LEONARD. None of them. Mr. Heney, in this Maine corporation, showed that Mr. Armour had a 19 per cent holding in it, and that organization, from Mr. Heney's statement, was organized in 1914. So prior to that no Chicago packer had any interest in it, and from that time until I heard Mr. Heney's statement I would have made oath that no Chicago packer had any interest in it.

Senator NORRIS. This ownership, as I understand it, was covered up, it was not known, until the investigation of the Federal Trade Commission?

Mr. LEONARD. I had no knowledge of it.

Senator NORRIS. How long have you been connected with that company?

Mr. LEONARD. Twenty years. I have last year's receipts. I would like to read those.

Senator NORRIS. Go ahead.

Mr. LEONARD. 17,779,435 head.

Senator NORRIS. All kinds?

Mr. LEONARD. Received in 309,136 carloads, and we shipped out 3,288,440 head in 62,265 carloads.

Senator NORRIS. Where did you ship them to mostly?

Mr. LEONARD. East.

Senator NORRIS. Mostly east?

Mr. LEONARD. Principally; yes.

Senator NORRIS. To be slaughtered in eastern slaughtering houses?

Mr. LEONARD. There would be stock sent down to Lancaster, Pa., which is sold out as feeders and redistributed to places.

Senator NORRIS. What stock that comes in do you get in from Pennsylvania?

Mr. LEONARD. None.

Senator NORRIS. Do you get any from New England?

Mr. LEONARD. No.

Senator NORRIS. On the west side you get it as far as from the Pacific coast?

Mr. LEONARD. From the Imperial Valley.

Senator NORRIS. You get lots of it from Kansas and Nebraska?

Mr. LEONARD. Oh, yes; and sheep from Idaho, Oregon, and Washington.

Senator NORRIS. What per cent, if you know, in a rough way, of the stock that is handled on your market comes from the West as compared with the East?

Mr. LEONARD. Roughly, I should say 90 per cent.

Senator NORRIS. Why is that? Has it ever occurred to you that there ought to be some shipments coming from the East?

Mr. LEONARD. No; because the East is dotted with these small markets, Pittsburgh and Indianapolis and Cincinnati and Cleveland. The trend was westward, you know. Albany was the great market in the early days.

Senator NORRIS. But the West is dotted all over with similar establishments—all along the Missouri River and the Pacific coast has them.

Mr. LEONARD. But I say the trend is west. Of course, Chicago is in the center of the corn belt.

Senator NORRIS. Why would they not be shipped from the East to that same corn belt and fed?

Mr. LEONARD. Because they ship that stuff into these other little markets. Take Michigan, where we have had sheep out for feeding purposes. The train service is such that it is better for them to go to Cleveland and Buffalo than it is to go to Chicago. They make a better connection. The other train service goes down and drains the natural drainage.

Senator NORRIS. In shipping from the West these shippers ship right by Kansas City, Omaha, and Sioux City and St. Paul and such places as that?

Mr. LEONARD. Yes, sir.

Senator NORRIS. And they do that because they consider they have some advantage in Chicago over those markets?

Mr. LEONARD. Because they do have the advantage. The dollar talks.

Senator NORRIS. Would they not have the same advantage over the eastern markets?

Mr. LEONARD. The competition in Chicago is greater than it is at the western market. The absorption of stuff at the large center of population has much to do with that.

Senator NORRIS. Yes; but would not that same argument apply to shipments that should come from the East? Competition is greater in Chicago than it is in Cleveland, Indianapolis, or Cincinnati, is it not?

Mr. LEONARD. No. They have their local populations around them that take much of their stuff, just as Pittsburgh sends its live stock down into the coal valley, where they slaughter it locally, and Cincinnati has an advantage buying there locally. You can see that the population east of Buffalo and Omaha is much denser than it is to the west.

Senator NORRIS. Yes. There is stock raised all through that country.

Mr. LEONARD. It is not raised in very large quantities. It is more of a grain growing country.

Senator NORRIS. The packers ship their product into that country.

Mr. LEONARD. Oh, yes.

Senator NORRIS. As well as into the western country?

Mr. LEONARD. Yes. It is like the Texas man on the ranch has no milk, but has a thousand cows.

Senator NORRIS. So that, so far as the packing business is concerned, they get their supply from the West?

Mr. LEONARD. Yes.

Senator NORRIS. And they ship it both west and east as a finished product?

Mr. LEONARD. It is just as I stated in the report there, at least it is my own opinion in a modified way, that the high price of lands to the east of us—the price of land, I think, is perhaps higher in Nebraska or Iowa.

Senator NORRIS. I think not.

Mr. LEONARD. Do you not think it is in Ohio?

Senator NORRIS. No.

Mr. LEONARD. In northern Indiana it is not, because there is nothing of any great import raised there.

Senator NORRIS. The price of land is lower in New York than it is in Iowa.

Mr. LEONARD. There is nothing raised there. Although there is a very interesting experiment right along these lines going on at Millbrook, N. Y., in old Dutchess County, which was formerly a grazing county, and went out of the grazing as the West took it up, could not compete with the free grass of the West, and they are putting steers on, and have them now on and feeding in Dutchess County, where they bought the land for \$40 an acre, and are doing it successfully, and making good money out of it.

Senator NORRIS. You think the reason the stock come through all those western yards to Chicago is because there is more competition in Chicago?

Mr. LEONARD. I think there is more competition because there is a greater demand for stock in Chicago than there is at the local markets.

Senator NORRIS. There is more competition in the Chicago market than there is in Sioux City or Omaha or Kansas City or any of those places?

Mr. LEONARD. We have 50 packing houses there that are much larger.

Senator NORRIS. It is claimed that the packers are interested in having Chicago as the largest place.

Mr. LEONARD. I wish that were true.

Senator NORRIS. And that they try to prevent competition in these western places.

Mr. LEONARD. I wish that were true.

Senator NORRIS. I do not know whether it is true or not.

Mr. LEONARD. Because we have to go out and endeavor to pull it through Kansas City and Omaha and St. Paul.

Senator NORRIS. I can see how you would be interested in doing that, but, as a matter of fact, it is certainly a loss to ship a lot of cattle from the vicinity of Sioux City to Chicago, and then ship the meat back to Sioux City to be sold.

Mr. LEONARD. Do you think that is being done?

Senator NORRIS. Is it not?

Mr. LEONARD. Not that I know of. I should not think it would be, where Sioux City has the market.

Senator NORRIS. Where do the packers sell their meat that goes West? And in a smaller way the same question would apply to Sioux City.

Mr. LEONARD. I imagine that they send their meat—the Texas stuff, for instance—from Fort Worth. I do not know that. I am not in the packing end, and do not really know the packing end.

Senator NORRIS. The greatest economy, for the consumer, particularly, would be to lessen the freight charges just as much as possible, both on the live product and the finished product, would it not?

Mr. LEONARD. Yes.

Senator NORRIS. Unless there is some advantage in shipping it to these large centers, and having it slaughtered in the large places. It would give the consumer a cheaper product, finished, if it were slaughtered in the vicinity of the place where it was sold to the consumer.

Mr. LEONARD. That advantage, I think, Senator, is offset by the decrease in overhead expenses.

Senator NORRIS. The freight on a carload of stock from western Nebraska to Chicago, or even to Omaha, and the freight on the finished product back again, is quite a big item.

Mr. LEONARD. I should think it would be. I am not familiar with the detail of that.

Senator NORRIS. I am not, either.

Mr. LEONARD. But, at the same time, when you take a number of small going concerns as a business proposition, and you can consolidate them, you make a very large dent in the expenses.

Senator NORRIS. That is true to a very large extent.

Senator GRONNA. The so-called five large packers have some stock in the stockyards, also, have they not?

Mr. LEONARD. To my knowledge none of them have any stock in the stockyards, and the only knowledge I have of any one having any stock is Mr. Ogden Armour in this holding company in Maine, and that knowledge is derived from the hearings here—the Federal Trade Commission hearings.

Senator GRONNA. Do the owners of the banks in Chicago hold stock in the Union Stock Yards?

Mr. LEONARD. All of the stock in the Union Stock Yards is held by the Jersey company—this holding company in New Jersey. So I have no knowledge of that.

Senator GRONNA. You elect your officers at certain stated times, do you not?

Mr. LEONARD. Yes, sir.

Senator GRONNA. And you have some knowledge as to who the stockholders are? There must be some one there to vote that stock when you have that election of officers?

Mr. LEONARD. The proxies come from the Jersey company and they vote the proxies and elect the officers.

Senator NORRIS. You do not know who the stockholders are even?

Mr. LEONARD. No, sir.

Senator GRONNA. It is a sort of a wheel within a wheel, then?

Mr. SHAW. I can answer that a little bit more in detail.

Mr. LEONARD. I want to say right here that there is no desire on my part to hide anything, or not answer any questions, but I really do not know.

Senator GRONNA. I am very much interested in knowing that you do not know.

Mr. LEONARD. Yes, sir.

Senator GRONNA. There are three classes interested in this question before us—the packer, the shipper, and ultimately the ones that are mostly interested, the consuming public. Of course the shipper is just as much interested in the stockyards as the packer, is he not?

Mr. LEONARD. To my mind, the producer, if I may use the term “producer” as synonymous with shipper—or would you prefer “shipper”?

Senator GRONNA. It does not make any difference.

Mr. LEONARD. We try to deal with the producer, as we term him. The producer, as I feel it, is more interested in the yard proposition than anybody else.

Senator GRONNA. You say you are president of the Union Stockyards?

Mr. LEONARD. Yes, sir.

Senator GRONNA. You dictate, of course, the general policy of how business is to be done?

Mr. LEONARD. Yes, sir.

Senator GRONNA. There have been complaints, have there not, that certain corporations have been shown favors—that the so-called smaller ones have been at a disadvantage so far as location is concerned?

Mr. LEONARD. In Chicago?

Senator GRONNA. Yes.

Mr. LEONARD. No, sir.

Senator GRONNA. It has never come to your attention?

Mr. LEONARD. You mean that there has been complaint that some small packer has been placed at a disadvantage by the Stock Yards Co.?

Senator GRONNA. I mean the buyers. Of course these packers have buyers?

Mr. LEONARD. Yes. The small buyers, you mean?

Senator GRONNA. Yes.

Mr. LEONARD. Oh, no, sir.

Senator NORRIS. I think Senator Gronna has reference to the commission men; did you not, Senator?

Senator GRONNA. Swift & Co. have buyers?

Mr. LEONARD. The buyers on the market.

Senator NORRIS. That that was one way of punishing the commission men if they were not good?

Mr. LEONARD. Oh, no. You see, there are 500 commission men there in the yards—I mean members of the exchange. There are 500 members of the live stock exchange, and there are 500 members of the traders' exchange, and those are the keenest-minded business men in this wide world.

Senator GRONNA. With reference to these commission men—how are they allocated?

Mr. LEONARD. May I just finish this statement?

Senator GRONNA. Yes.

Mr. LEONARD. I want to say that if one of them makes a bad sale, in some mysterious way the owner of that stock is fully aware of it,

and you have 999 men waiting for the other man's business, playing it.

Senator GRONNA. My question was with reference to the commission men. Have you ever had any complaint from the commission men that they have been discriminated against?

Mr. LEONARD. No, sir; as a discrimination, no, sir; we have never had it.

Senator GRONNA. Have you ever had any complaint whatever?

Mr. LEONARD. We have had complaints that they have not sufficient room to transact their particular line of business. But that would come from the very large commission firms at seasonal times of the year, we will put it.

Senator GRONNA. But you have had no complaint from men, regardless of whether they do business with the packers in a way either satisfactory or unsatisfactory to them?

Mr. LEONARD. No, sir. The big packers have no more control over the yards than you have; and I never met you before.

Senator GRONNA. You have given a statement, I believe, as to the profits of your stockyards?

Mr. LEONARD. No. I gave that orally. I made the statement that it was 8.4 per cent.

Senator GRONNA. That is what you distributed as a dividend?

Mr. LEONARD. Yes, sir.

Senator GRONNA. How much did you pass to surplus?

Mr. LEONARD. There has been very little passed to surplus.

Senator NORRIS. How much? Can you give it?

Mr. LEONARD. No; I can not give that offhand. The Bureau of Markets would have that.

Senator GRONNA. How does your profit for the last two years compare with the profits for the preceding four or five years?

Mr. LEONARD. This last year's profits, I am afraid, are disappearing very rapidly. Our expenses with regard to labor have almost doubled. They were awarded an increase of about 70 per cent by Judge Algschuler, and the overtime has further increased that until it is about a hundred per cent over what it was a year preceding. There is now pending before Judge Algschuler a further demand for an increase, and that would put it up somewhere around 130 per cent over two years ago. So that when I left our year's account was not made up, but I do not think we have \$75,000 over dividends and yet we have had the biggest year in the history of the yards.

Senator GRONNA. You have not been permitted, then, to raise your charges?

Mr. LEONARD. Yes, sir; we raised charges 5 cents on cattle, from 25 to 30 cents, and in spite of that—

Senator GRONNA. That is all I care to ask.

Senator NORRIS. You do not know anything about the New Jersey company, or who they are, except what you have heard here in testimony?

Mr. LEONARD. Yes, sir; that is all.

Senator NORRIS. You are elected, then, by somebody you do not know who?

Mr. LEONARD. Mr. Prince is one of the directors, and he is a director in the Jersey company.

Senator NORRIS. Who is Mr. Prince?

Mr. LEONARD. He is a resident of Boston. Mr. F. H. Prince.

Senator NORRIS. He does not show up in Chicago much, does he?

Mr. LEONARD. No.

Senator NORRIS. You do not know who it is that elects you as president?

Mr. LEONARD. Except the proxies.

Senator NORRIS. Except the proxies that you see?

Mr. LEONARD. No, sir.

Senator GRONNA. What salary do you get?

Mr. LEONARD. \$10,000.

Senator GRONNA. Do you know what the total amount is for all the executive officers?

Mr. LEONARD. The chairman of the board gets \$10,000, and the general manager gets \$7,500; no extravagant salaries.

Senator GRONNA. No; that seems very reasonable. You do not happen to remember the total amount?

Mr. LEONARD. Of executive salaries?

Senator GRONNA. Yes.

Mr. LEONARD. No; I do not. That is about all the executives we have, the chairman of the board, myself, and the general manager. And then it goes on down. There is a general superintendent, who gets \$5,000. That would comprise executives of the yards company.

Senator GRONNA. As to the general policy of the stockyards, is that left to this board altogether?

Mr. LEONARD. Yes, sir.

Senator GRONNA. Or do you confer with other men?

Mr. LEONARD. No, sir. It is practically in the yards at all times, except that Mr. Spoor and I confer.

Senator GRONNA. Do you not at times confer with Mr. Prince?

Mr. LEONARD. No, sir.

Senator NORRIS. Mr. Prince is in Boston.

Senator GRONNA. He gets to Chicago occasionally, I suppose.

Mr. LEONARD. Very rarely.

Senator GRONNA. It seems rather strange that you, being the president of as big a corporation as the Union Stock Yards, should not be familiar with the stockholders of the corporation.

Mr. LEONARD. I have tried to explain it. The stock is all held by this Jersey company, which has its office in New Jersey.

Senator GRONNA. That holding company?

Mr. LEONARD. The holding company; yes, sir.

Senator GRONNA. I can see how that is.

Mr. LEONARD. You can see how that goes very readily, the proxies come in for voting, and they are properly voted, and we conduct the business, I suppose, to the satisfaction of those men.

Senator GRONNA. How much stock have you in the company?

Mr. LEONARD. None whatever.

Senator GRONNA. Do any of the other members of the board have any stock in the Union Stock Yards?

Mr. LEONARD. Not that I know of.

Senator GRONNA. So that in reality you are what you would call—

Mr. LEONARD. Hired men.

Senator GRONNA. Hired men?

Mr. LEONARD. Yes, sir.

Senator GRONNA. By this holding company?

Mr. LEONARD. Yes, sir. Mr. Chairman, Mr. Shaw is one of our board of directors. If there are any questions you feel you want to ask him, he will be glad to testify.

Senator NORRIS. Unless Mr. Shaw wants to be heard, we do not care to put him on the stand.

STATEMENT OF MR. I. L. SEEKINS, OF ST. PAUL, MINN., REPRESENTING THE LIVE STOCK EXCHANGE.

Senator NORRIS. You represent the commission men?

Mr. SEEKINS. Yes, sir. I am a member of the live stock exchange, and in the live stock and commission business.

The exchange wishes to protest against this proposed bill on the ground that our business at the present time is under splendid management by the Stock Yard Co. I have been there something over twenty years in business, and we started when the yards were new and poorly managed, and they have been fixed up and conducted in a manner that is very satisfactory to all concerned, both the shipper and producer, and, so far as the ownership is concerned being in the hands of the packers, it is a matter that never particularly occurs or comes to our minds, as to who is the owner as long as we get the service. It is service that we are always clamoring for, and in the manner of management, if there is any dissatisfaction on the part of the feed furnished, the process of furnishing it, and so on, we at once take it up with our president or his underman, and we readily receive release. There are at times certain mixups that occur in the yarding of cattle. A claim can be readily adjusted as soon as you can produce the evidence that a certain error has occurred.

We know to whom to go. There is no red tape about it. It is simply getting on record that some mistake has been made by the men of the Stock Yards Co., and we have found the management of the Yards Co. at all times ready to adjust those difficulties. We know now where we stand. We feel confident of the future, and the rapid progress of the live-stock business of the Northwest has been well taken care of by those who are at present managing the yards. With that thought in mind, and with no particular ax to grind, we disapprove of the passage of the bills in question.

I have noticed that this has been a packers' meeting. It is almost out of order, perhaps, for one who is a middleman, as we often refer to them, to come before this body in the manner, perhaps, that I am coming.

Senator GRONNA. You say you represent a commission firm?

Mr. SEEKINS. Yes, sir.

Senator GRONNA. This bill would not affect the commission men, would it?

Mr. SEEKINS. It will affect the commission firms inasmuch as it injures the interests to whom we look for the usage and handling of the business we represent. I am not talking for the interest of the packers.

Senator GRONNA. But you say it will injure these interests?

Mr. SEEKINS. I refer to the producer and the shipper. We know where they are now. They are properly handled, in our experience

there. I can not speak for other yards. They are nicely taken care of, and I hear of no particular complaints, and with the idea that they are well handled and well pleased, and matters are running smoothly under the present management. We do not know what they would be under the proposed management. We feel like protesting against the step.

Senator GRONNA. Would it make any difference to the commission men whether they were under Government control or private control? The producer would still have to ship his stock to these markets, and I take it that your business would be just the same. In what way could it interfere with your business?

Mr. SEEKINS. Anything that would be detrimental to the raising of live stock, or make it more difficult for him to market, would be detrimental to our business.

Senator GRONNA. It is presumed that this would help—

Mr. SEEKINS. By some.

Senator GRONNA. By some.

Senator GRONNA (continuing). The producers. I do not say that it would, but it has been argued that it would help the producer, and I was at a loss to see why commission men should protest against the bill, because it does not affect them at all; that is, virtually it does not affect them.

Mr. SEEKINS. Only inasmuch as it might discommode or not as well handle the incoming trade. I speak of occurrences of mistakes and mixups that, under the present ruling we can get relief on and pay for. I do not know what the conditions would be were the Government to control the stockyards. I know that getting claims for shippers at present is not as easy a job, or as rapid, as it was under the old system. If it worked out the same with Government ownership of the yards, it would not be as satisfactory.

Senator GRONNA. You are operating now under Government license?

Mr. SEEKINS. Yes; our commission firms.

Senator GRONNA. Has it been fairly satisfactory?

Mr. SEEKINS. I have heard of no complaints. In fact, some have spoken highly of it. The commission men have not disapproved of Government license as it has been worked out so far, unless it might be that any legitimate American business might feel a stigma that it had to be licensed that it was legitimate. But we have no particular complaints to make against that. In fact, we are rather glad to throw our books open to any one who has a right to them.

Senator GRONNA. There have been no restrictions as to your charges that you make?

Mr. SEEKINS. By the Government?

Senator GRONNA. By the Government.

Mr. SEEKINS. No, sir; not that I know of.

Senator GRONNA. You are permitted to make the same profit now that you were under private control?

Mr. SEEKINS. Yes, sir; as far as they are concerned. Of course, the increase of wages and labor has cut down the net expense of all commission interests.

Senator NORRIS. Did you attend the meeting of the National Association of Commission Men?

Mr. SEEKINS. In New York?

Senator NORRIS. Yes.

Mr. SEEKINS. I was not a delegate to that one; no, sir. I have attended several.

Senator NORRIS. That was a large meeting, pretty representative of commission men all over the United States, was it not?

Mr. SEEKINS. I could not tell you much about it. At that time I was not interested so much in the commission business.

Senator NORRIS. That is the last meeting you have held.

Mr. SEEKINS. Just to explain myself, I have been in the business 22 years. I have two boys, my two youngest sons, that I was putting in the business, and I was taking it easy and looking after some farm interests, and I have been away until they went to the war, and that forced me back into the harness for the last year. Prior to that I had not been so much at the yards as lately.

Senator NORRIS. That meeting has been held within the last year?

Mr. SEEKINS. That New York meeting was held this last May, was it not?

Senator NORRIS. I do not remember the exact date, but it has not been very long ago.

Mr. SEEKINS. I just came back about that time. My boys went into the service some time in May.

Senator NORRIS. Those meetings are attended generally by regular delegates representing the commission men from all over the United States?

Mr. SEEKINS. By delegates appointed by the exchanges, that represent the exchanges at those national conventions.

Senator NORRIS. At that national convention the evidence here shows that there was a resolution passed unanimously demanding, in effect, that the stockyards be separated entirely.

Mr. SEEKINS. From packing interests?

Senator NORRIS. From packing interests. I can not quite understand myself why, in convention assembled, you men passed that kind of a resolution, and then so many of you, many of whom were in attendance there, come here and ask that we do not do the very thing that the national association at that time thought we should do.

Mr. SEEKINS. I have no argument to put up that the packers still hold the interests in yards that they do. I simply am protesting against the licensing or the taking over, rather, of stockyards.

Senator NORRIS. If we are going to do what your national association asks us to, we must pass some kind of a law. In other words, this bill would accomplish that fact. But the witnesses who have appeared here, like yourself, members of that association, are all objecting to it.

Mr. SEEKINS. It is not so much on the part of the packer ownership we are objecting. We are objecting that the packers must own and control the yards. But we are asking that you leave the yards under the management either of a corporation; ours is giving very good satisfaction, and it does not occur to us that Swift & Co. and Armour & Co. have any more interest in it than you have.

Senator NORRIS. But they do, do they not?

Mr. SEEKINS. Yes. But, as far as the privileges and benefits of that any particular person gets—

Senator NORRIS. You are making an argument, as I see it, against carrying out the resolution of your national association.

Mr. SEEKINS. I do not question your statement in regard to it. I was not aware of the recommendation mentioned.

Senator NORRIS. Can you tell us why an association of these men—and they are above the average men in intelligence and ability, and supposed to understand the business thoroughly—would ask Congress to take that kind of a step unless they had some reason for it?

Mr. SEEKINS. They must have thought they had a reason, if they asked Congress to do so. It is possible that conditions at their yards are different from those at ours. We have no complaints, or our exchange has no complaints, with reference to the management of the yards as refers to our interest, and when I say "our interest," I mean the producer and shipper. We are his agents; we are his hired man.

ADDITIONAL STATEMENT OF MR. WILLIAM MCGIVNEY.

Mr. MCGIVNEY. Mr. Chairman, it is perhaps out of order for me to interrupt here at this point, but you are seeking information, and I might answer that question for you in this way, that the commission man is first, last, and always for his client, the producer. He wants to carry out the wishes of the producer. I see that, perhaps, in my operations more than any other one man around the stockyards, because when a producer comes in and makes a claim that I feel is unreasonable and unjust, I will say to the commission man, "You know that claim is not right. Tell that fellow he has to do thus and so." The commission man says, "You talk to him yourself. I do not want to antagonize him." Some producers, as you know, have expressed the opinion that the packer ownership of some yards is in some way detrimental to the business. These commission men represent these producers, want the producers to get what they want. They do not want to go on record as opposed to these producers.

Senator NORRIS. You think they passed that because they felt they would please the producers if they gave it?

Mr. MCGIVNEY. Yes, sir; I do, absolutely; because they are representing the producers and they thought that was what the producers wanted.

Senator NORRIS. The producers were not there at that meeting.

Mr. MCGIVNEY. Oh, no; that does not make any difference. But they get their money from the producers.

Senator NORRIS. You mean to say, then, that they were not in that resolution expressing their honest convictions?

Mr. MCGIVNEY. No; I do not mean to say that at all. I mean to say that they may have felt that the producers' wishes in these matters should be acceded to to that extent, that they could not see that there would be any particular harm, perhaps, in divorcing the ownership, and the packers are on record as saying they do not care anything about owning the stockyards.

Senator NORRIS. Assuming, now, they were conscientious and honest in passing that resolution, do you not think Congress would have a right to reach the conclusion that those men who ought to know were giving them the judgment that was fair?

Mr. MCGIVNEY. Yes, sir.

Senator NORRIS. And that they would have a right to act on that judgment.

Mr. MCGIVNEY. Yes, sir; I think you would have a right to act on that judgment, as far as that is concerned.

Senator NORRIS. It seems to me, if that is true, that the commission men have not been quite fair with this committee.

Mr. MCGIVNEY. I do not make that charge.

Senator NORRIS. I do not find any fault with a man because he does not agree with me. But these commission men have in a national convention taken that action. It can not be said that there were producers there dominating them. In fact, the charge is made in some underhanded grapevine way, the packers control the commission men, but these commission men in their national association adopted that resolution.

Mr. MCGIVNEY. Yes.

Senator NORRIS. If it was not true, they were not acting in good faith.

Senator GRONNA. Not only adopted it but took enough interest in it to send it in very many instances to Members of both Houses.

Senator NORRIS. Yes.

Mr. MCGIVNEY. You know, Senators, for me to say that they did not do it in good faith is a very grave charge. I do not make any such charge, but I can recite to you an illustration. The president of our exchange in South St. Paul is a man for whom I have the highest personal regard as to his integrity and straightforwardness in every way. I think he is a clean man. He is a warm personal friend of mine. I do not agree with him in everything. He votes one ticket and I vote another. But I do not say he is not a clean, decent man because he differs with me on some things, and I would not want him to say that I was not because I differed from him. But this man got on the stand in the Federal Trade Commission hearings and said the packers ought not to own the stockyards. He did not say the Government ought to own them or who ought to, but he said the packers ought not to own them. He did not give very much reason for it, and when he got off the stand I took him to one side and said: "I was surprised to hear you make that statement. Has the packer ownership of the stockyards in South St. Paul ever worked in any way to your disadvantage that you know of or to the disadvantage of any of your patrons or to the disadvantage of anyone in the market?" He said: "No." I said: "Then why do you say this?" He said: "The country is making an awful noise about that all the time, and I think it would stop that dissatisfaction among the shippers."

Senator NORRIS. That would accomplish some good, even though it were unfounded?

Mr. MCGIVNEY. Yes.

Senator NORRIS. It does look this way to me, that the stockyards, in theory at least, are a market place.

Mr. MCGIVNEY. Yes, sir.

Senator NORRIS. They ought to be absolutely free, uncoerced in every way.

Mr. MCGIVNEY. I agree with you.

Senator GRONNA. Open to everybody.

Senator NORRIS. Open to everybody.

Mr. McGIVNEY. I agree with you thoroughly.

Senator NORRIS. It does not seem to me that any market place that is owned or controlled, either directly or indirectly, by practically the only men who buy at that market place throws a very great suspicion upon it being an open market place where competition is free.

Mr. McGIVNEY. That is true, and that is not only the case with this legislature, but it is the case with every State legislature where stockyards are within the State. That State legislature is every year confronted with this same proposition.

Senator NORRIS. It has been developed in evidence here by the Trade Commission hearings that there are various ways in which commission men are controlled by the packers, and that the big packers indirectly a great many times have an influence on that market place, and that is not fair quite. It seems to me that the very fact that they own an interest in it throws a suspicion around the whole thing, because it is a market place. If anybody ought to control it who has an interest in it, it is the producer, the man who sells on the market place, because he has but one interest, and that is to get as much as he can for his stock, and the packer wants to get it for as little as he can, of course. I have thought a good many times, as these commission men have appeared here and testified as they have testified, of a case that happened in my State. I live in a railroad town, and I know all the railroad men there—just as fine a body of men as ever lived. But they are looking after their own interests. I am not speaking of it in any critical sense. But quite a number of years ago, before I was in Congress, there was a matter pending in the State legislature in which the railroads had a deep interest. It was intended to help the employees of the railroad company. Their organization had passed some resolutions favoring some such legislation, and it was introduced, and I had talked with dozens of the men, and I had never heard any man express any other opinion than that that kind of a law ought to be passed. But when it came before a committee of the legislature, to my surprise I read in the newspapers of this conductor and that conductor, this railroad man and that railroad man, whom I knew personally—and many of whom I had talked with—went before that committee and telling the committee of the legislature they did not want anything of the kind, that it was not needed at all, and that they hoped the bill would be defeated—and it was defeated. I could not help but feel that the commission men were doing something like that when they appeared before the committee to object to what at other times they had advocated.

Mr. McGIVNEY. But this bill seeks to license commission men, too, you know, and they are a little afraid of that. It was before there was any legislation up that they passed this.

I have an additional statement I would like to insert in the record.

The CHAIRMAN. You may do so.

510 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

(The statement subsequently furnished by Mr. McGivney is here printed in full, as follows:)

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.

Statement of disposition of live stock to packers, butchers, and dealers.

1918.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.	365,461	212,874	1,219,477	175,236
Hinman & Co., South St. Paul, Minn.	1,194	277	70	23
R. N. Katz, South St. Paul, Minn.	15,053	500	71	25
R. J. King, South St. Paul, Minn.	2,521	2,627	724	40
Armour & Co., Chicago, Kansas City, Omaha, Sioux City	97,053	2,598	569,110	4,306
Swift & Co., Chicago, Kansas City, New York, Fort Worth, Sioux City, East St. Louis	51,988		24,872	18,966
Cudahy Packing Co., Sioux City and Omaha	4,056	8,073		12,823
Cudahy Bros. Co., Cudahy, Wis.	15,257	913		
Wilson & Co., Chicago, Ill.	3,767			
Morris & Co., Chicago, Ill.	5,396	29		
J. Agar & Co., Chicago, Ill.	15,356	5,965		247
Albert Lea Packing Co., Albert Lea, Minn.			7,500	
Anglo-American Provision Co., Chicago, Ill.				
Bresler Co., Cleveland, Ohio	473			
Chicago Packing Co., Chicago, Ill.	150			
Cleveland Abattoir, Cleveland, Ohio	178			
Cleveland Provision Co., Cleveland, Ohio	20			
Columbus Canning Co., Columbus, Wis.	37			
Dakota Meat Co., Jamestown, N. Dak.	137			
E. W. Davis, New York, N. Y.			1,153	
J. E. Decker & Sons, Mason City, Iowa	1,193	881	16,657	296
Drummond Packing Co., Eau Claire, Wis.	255		2,364	
Elliott & Co., Duluth, Minn.	259		1,258	
Farmers Cooperative Packing Co., LaCrosse, Wis.	279			
Farmers Cooperative Packing Co., Rockford, Ill.			246	
Farmers Cooperative Packing Co., Wausau, Wis.	148		105	
Fergus Packing Co., Fergus Falls, Minn.	21			
Fostoria Provision Co., Fostoria, Ohio			449	
Guggenheim Bros., Chicago, Ill.	971	81		
Hammond Packing Co., South St. Joseph, Mo.			11,875	
S. B. Hedges Co., Pittsburgh, Pa.			1,188	
Geo. A. Hormel & Co., Austin, Minn.	4,556	355	61,541	
Independent Packing Co., Chicago, Ill.	1,311		2,067	
Interstate Packing Co., Winona, Minn.			4,512	
Iowa Packing Co., Des Moines, Iowa			1,256	12
Kasla & Klett, Lake Beulah, Wis.	108			
J. Kiewell, Fergus Falls, Minn.	48			
B. F. Kneeskern, Castalia, Iowa	285			
Kohrs Packing Co., Davonport, Iowa	261			
Kunbar Packing Co., Elgin, Ill.	21			
La'rie Erie Provision Co., Cleveland, Ohio	537			
Levine Bros., Duluth, Minn.	427	42	2,092	140
Luley Abattoir, St. Paul, Minn.	4,261	375	6	
J. T. McMillan Co., St. Paul, Minn.			2,703	
J. Morrell & Co., Ottumwa, Iowa	24		1,506	
National D. & B., New York, N. Y.	22		18,366	
North Packing & Provision Co., Cambridge, Mass.				
Ohio Provision Co., Cleveland, Ohio	345		2,110	
Omaha Packing Co., Chicago, Ill.			226	
A. D. Paul, Waterloo, Iowa				
Peerless Packing & Provision Co., Chicago, Ill.	1,314			
L. Pfalder & Sons, Chicago, Ill.	267			
Pianington Packing Co., Milwaukee, Wis.	2,556			
Rath Packing Co., Waterloo, Iowa	277		1,637	
Reiland Packing Co., Grand Rapids, Wis.	1,458	814		
Schrag & Muth, New York, N. Y.			870	
Siegel Hechinger Packing Co., Chicago, Ill.	457			
Sim Packing Co., Pittsburgh, Pa.		182		
T. M. Sinclair & Co., Cedar Rapids, Iowa	5,247	342		
Sperry & Barnes, New Haven, Conn.			2,616	
Springfield Provision Co., Springfield, Mass.			2,920	
J. P. Squire & Co., Cambridge, Mass.			1,560	
Sturtevant & Haley Co., Cambridge, Mass.	45			
United Dressed Beef Co., New York, N. Y.	3,824			
White, Pevey & Dexter Co., Worcester, Mass.			2,922	
Wisconsin Packing Co., New Richmond, Wis.	633			
G. Bartusch, St. Paul, Minn.	4,000	338		
N. Cohn, St. Paul, Minn.	3,463	1,102		
A. Davis, St. Paul, Minn.	60			
Feinberg & O'Connell, Minneapolis, Minn.	1,246	25		

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 511

ST. PAUL UNION STOCKYARDS Co., SOUTH ST. PAUL, MINN.—Continued.

Statement of disposition of live stock to packers, butchers, and dealers—Contd.

1918—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS—continued.				
G. Fishman, St. Paul, Minn.....	1,242	12	168	
B. Kasowitz, St. Paul, Minn.....	37			
M. Rifkin, St. Paul, Minn.....	7,266	728		
M. & S. Simon, St. Paul, Minn.....	8,331	1,372		
DEALERS.				
Bangs, Berry & Carson.....	17,520	133	20,886	528
Barry Cattle Co.....	8,428	212	1,210	3,012
Barton Cattle Co.....	8,164	151	278	
W. A. Barton & Co.....	52			
Becker & Co.....	10,033	620		1,469
Bradshaw & Clark.....	32,036	795		
Brooks & Moneur.....	4,723	22		
Canadian Cattle Co.....	12,956	392		18
Crabtree, J. R. & Co.....	828	191	34,873	
Conboy & Fahey.....	5			
Fishman Cattle Co.....	1,447	193		
J. B. Fitzgerald.....	252	107		
Freeman & Son.....	3,997	148		
Gearen & Carson.....	7,319	241		
Grisim & Page.....	26,328	462	11	
Geo. Grisim.....	9,793	127	23,308	
Iowa Cattle Co.....	6,041	125	201	
Johnson Bros.....	12,358	797		
Paul Johnson.....	8	18		
King Cattle Co.....	23,438	375		
J. R. King.....	3,589	160	2,413	
Lauderdale Cattle Co.....	16,970	457		
J. Levine.....	1,294			
F. Luhrs.....	17	2		
D. H. McGuire.....	18,426	673		
Melady Cattle Co.....	19,659	273		
Montana Cattle Co.....	10,075	592	31	
National Cattle Co.....	12,253	186	477	
Nolan, Smith & Co.....	8,754	511		
Northern Cattle Co.....	8,246	365	154	144
Wm. Raeburn.....	2			
E. Ramsey & Co.....	2,386	571	2	
Ross Condon & Co.....	5,815	99	4,031	
Schulze Bros.....	7,165	186		338
Slimmer & Thomas.....	26,498	884		
Standard Cattle Co.....	10,507	478		
Swanson & Gearen.....	22,443	1,178		
Throckmorton & Co.....	9,106	272		
P. A. Thuet & Co.....	24,360	1,699	17,041	
County buyers.....	443,817	26,206	167,121	104,969

1917.

PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.....	321,727	140,437	1,072,484	113,845
Katz & Hertz, South St. Paul, Minn.....	12,559	645	1,667	563
Hinman & Co., South St. Paul, Minn.....	3,693	1,296	6	67
R. J. King, South St. Paul, Minn.....	2,460	3,684	1,218	2
Armour & Co., Chicago Kansas City, Omaha, Sioux City, East St. Louis, South St. Joseph.....	51,405	1,604	459,207	
Wilson & Co., Chicago and New York.....	9,693	2,060		
Cudahy Packing Co., Kansas City, Omaha, Sioux City, Iowa.....	255	5,790	5,073	1,612
Cudahy Bros. Co., Cudahy, Wis.....	2,643		6,398	
Morris & Co., Chicago and Peoria, Ill.....	10,743	150		
Swift & Co., Chicago, East St. Louis, Kansas City, South St. Joseph.....	36,907		3,983	2,898
J. Agar & Co., Chicago, Ill.....	80			
Albert Lea Packing Co., Albert Lea, Minn.....	4,470	3,491		
Anglo-American Provision Co., Chicago, Ill.....	64			
Ralph Bahl, Rochester, Minn.....	163			
Buffalo Meat Co., Buffalo, Minn.....	23			
Chicago Packing Co., Chicago, Ill.....	142			
Cleveland Abattoir, Cleveland, Ohio.....	364			
Columbus Canning Co., Columbus, Wis.....	36			
M. Crane, New York, N. Y.....			8,896	

512 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.—Continued.

Statement of disposition of live stock to packers, butchers, and dealers—Contd.

1917—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS—continued.				
Dakota Meat Co., Jamestown, N. Dak.	27			
E. W. Davis, New York, N. Y.			9,590	
J. E. Decker & Sons, Mason City, Iowa	2,011	2,539	11,790	367
Dixon & Lindley, Jersey City, N. J.			425	
Drummond Packing Co., Eau Claire, Wis.	334		1,446	
Elliott & Co., Duluth, Minn.	427			
Farmers Cooperative Packing Co., Wausau, Wis.	55		235	
Fergus Packing Co., Fergus Falls, Minn.	65			
Figge & Hutwelker, New York, N. Y.			765	
Fort Dodge Packing Co., Fort Dodge, Iowa			136	
Fostoria Provision Co., Fostoria, Ohio	190			
Guggenheim Bros., Chicago, Ill.	4,258	716		
S. B. Hedges Co., Pittsburgh, Pa.			209	
Geo. A. Hormel & Co., Austin, Minn.	1,970	262	79,329	
Independent Packing Co., Chicago, Ill.	492	95	1,036	
Inter County Packing Co., New Richmond, Wis.	330		17	
Interstate Packing Co., Winona, Minn.			2,509	
Iowa Packing Co., Des Moines, Iowa	79		946	
J. Kiewell, Fergus Falls, Minn.	432			
F. Kneskern, Castalia, Iowa	364	10		
Kohrs Packing Co., Davenport, Iowa	276			
Kunbar Packing Co., Elgin, Ill.	21			
Lake Erie Provision Co., Cleveland, Ohio	25			
Levine Bros., Duluth, Minn.	352	424	880	31
Ludey Abattoir, St. Paul, Minn.	1,232	106		
J. T. McMillan Co., St. Paul, Minn.			1,897	
Major Bros. Packing Co., Mishawauka, Ill.	70			
Mohr Meat Co., Sault Ste. Marie, Mich.	99	6		
Morrell, J. & Co., Ottumwa, Iowa, and Sioux Falls, S. Dak.	414	57	4,290	
New Richmond Packing Co., New Richmond, Wis.	1,121			
North Packing & Provision Co., Cambridge, Mass.			2,877	
Ohio Provision Co., Cleveland, Ohio	69		276	
Parker Webb & Co., Detroit, Mich.			5,918	
Pfauter & Sons, L., Chicago, Ill.	28			
Plankinton Packing Co., Milwaukee, Wis.	683			
Rath Packing Co., Waterloo, Iowa			2,519	
Reiland Packing Co., Eau Claire, Wis.	1,016		1,690	
Schrag & Muth, New York, N. Y.			3,413	
Siegel Hechinger Packing and Provision Co., Chicago, Ill.	1,126			
T. M. Smclair, Cedar Rapids, Iowa	6,633			
South Dakota Provision Co., Sioux Falls, S. Dak.			6,214	
United Dressed Beef Co., New York, N. Y.	3,410			
G. B. Wilson, Jersey City, N. J.			497	
G. Bartusch, St. Paul, Minn.	2,476	321		
N. Cohn, St. Paul, Minn.	1,645	854	1,569	
A. Davis, St. Paul, Minn.	991	11	552	
E. A. Drews, Minneapolis, Minn.	205	11	133	
Feinberg & O'Connell, Minneapolis, Minn.	1,080	10	37	
G. Fishman, St. Paul, Minn.	4,763	104		
L. Hertz, St. Paul, Minn.	190	3		
B. Kasowitz, St. Paul, Minn.	886	114		
E. Ramsey, St. Paul, Minn.	264	27		
M. Rifkin, St. Paul, Minn.	2,161	723		
M. & S. Simon, St. Paul, Minn.	3,690	2,846		
DEALERS.				
Bangs, Berry & Co.	13,190	368	51,932	
Barry Cattle Co.	3,553	135	559	
Barton Cattle Co.	10,842	526	258	
Becker & Co.	12,157	1,363		
Bradshaw & Clark	18,463	741	141	
Canadian Cattle Co.	6,173	393		
Conboy Bros. & Fahey	19		126	
J. R. Crabtree	72		67,706	
Dakota L. S. & I. Co.	1,151	102		
J. B. Fitzgerald	1,792	38		
E. Freeman & Son	8,503	396		
Grisim & Page	22,110	1,411		
George Grisim	7,909	701		
Iowa Cattle Co.	5,199	461		
P. Johnson	158	229	6	
Johnson Bros.	9,047	1,293		
King Cattle Co.	14,435	1,310		
J. R. King	2,654	494		

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 513

PAUL UNION STOCKYARDS Co., SOUTH ST. PAUL, MINN.—Continued.

ent of disposition of live stock to packers, butchers, and dealers—Contd.

1917—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS—continued.				
de Cattle Co.....	18,144	801		
Guire.....	16,091	807		
attle Co.....	27,278	1,189		
Cattle Co.....	7,621	579		
& Rogers.....	116	5		
nith & Co.....	10,710	743		
Cattle Co.....	8,789	858		
ondon.....	7,796	161	12,365	
ros.....	5,356	238		
& Thomas.....	30,203	1,469	272	
& Gearen.....	12,081	1,420		
orton & Lang.....	14,242	695		
uet & Co.....	26,398	4,549		

1916.

PACKERS AND BUTCHERS.				
Co., South St. Paul, Minn.....	225,429	112,386	1,548,270	150,161
ertz, South St. Paul, Minn.....	14,031	1,591	2,788	4,733
& Wight, South St. Paul, Minn.....	1,137	182	69	1,575
g, South St. Paul, Minn.....	2,280	3,288	2,000	225
Harknett & Co., South St. Paul, Minn.....	1,443	165	42	127
& Co., South St. Paul, Minn.....	415	154		
& Co., Chicago, Ill.....	24,407	5,750	790,815	240
Co., Chicago, Ill.....	5,326			
Co., Chicago, Ill.....	10,314	28		1,478
Packing Co., Sioux City, Iowa.....	911	5,450	15,616	500
Bros. Co., Cudahy, Wis.....			3,729	
Co., Chicago, Ill.....	330		682	
Co., Chicago, Ill.....			23,376	
& Co., Kearney, N. J.....			156	
s Canning Co., Columbus, Wis.....			10,489	
ker & Sons, Mason City, Iowa.....	587		3,039	
nd Packing Co., Eau Claire, Wis.....	45		2,130	
Co., Duluth, Minn.....	159		2,325	
Cooperative Packing Co., Wausau, Wis.....			85	
acking Co., Fergus Falls, Minn.....	214	168	4,720	
nd, Standish Co., Detroit, Mich.....			496	
dges Co., Pittsburgh, Pa.....			103,007	
Hormel & Co., Austin, Minn.....	2,217	416	997	
ient Packing Co., Chicago, Ill.....	69		7,762	
e Packing Co., Winona, Minn.....			15,617	
& Co., Indianapolis, Ind.....	31			
battoir, St. Paul, Minn.....	415			
Millan Co., St. Paul, Minn.....			19,913	
ll & Co., Ottumwa, Iowa, and Sioux Falls,				
	94		7,274	
land Dressed Meat Co., Boston, Mass.....			1,609	
acking & Provision Co., Boston, Mass.....			21,835	
a Packing Co., Onalaska, Wis.....	30			
ebb & Co., Detroit, Mich.....			2,218	
Packing & Provision Co., Chicago, Ill.....	619		271	
gton Packing Co., Milwaukee, Wis.....	44			
cking Co., Waterloo, Iowa.....			2,503	
Packing Co., Grand Rapids, Wis.....			3,245	
ire & Co., Boston, Mass.....			7,868	
Packing Co., Scranton, Pa.....			179	
er & Sons, Jersey City, N. J.....	423			
Dressed Beef Co., New York, N. Y.....	1,074			
nclair, Cedar Rapids, Iowa.....	2,420	1,502	1,069	
sch, St. Paul, Minn.....	3,930	162		
, St. Paul, Minn.....	1,153	265		
s, St. Paul, Minn.....	382	30	67	
ews, Minneapolis, Minn.....	531	153	118	
z & O'Connell, Minneapolis, Minn.....	1,362	63	174	
nan, St. Paul, Minn.....	1,277	50		
, St. Paul, Minn.....			15	
witz, St. Paul, Minn.....	605	123		
n, St. Paul, Minn.....	223	56		
n, St. Paul, Minn.....	1,290	746		
1, St. Paul, Minn.....	44	22		

514 GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.—Continued.

Statement of disposition of live stock to packers, butchers, and dealers—Contd.

1916—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
DEALERS.				
Bangs & Berry.....	16,370	813	19,641	
Barton Cattle Co.....	16,405	927	3,676	
Barton & Crabtree.....			56,054	
Canadian Cattle Co.....	8,378	1,052		
J. R. Crabtree.....			4,487	
Dakota Cattle Co.....	5,763	1,390		
J. B. Fitzgerald.....	1,078	30		
E. Freeman & Son.....	3,367	508		
Grisim & Page.....	14,976	984		
Geo. Grisim.....	12,279	686		
Iowa Cattle Co.....	5,144	693		
King Cattle Co.....	24,422	2,054		
J. R. King.....	4,099	1,420		
Lauderdale Cattle Co.....	18,249	765		
McGuire Cattle Co.....	16,819	1,402		
McLardy Cattle Co.....	41,867	3,418		
Montana Cattle Co.....	2,678	215		
Nolan Smith & Co.....	20,936	2,052		
Northern Cattle Co.....	2,423	388		
Slimmer & Thomas.....	44,248	2,214		
Swanson & Gearen Co.....	18,124	1,349		
Rude, Canton & Johnson.....	5,302	316	130	
P. A. Thuet & Co.....	25,979	4,639		
Johnson Bros.....	863	114		
H. F. Ross & Co.....	1,896	45		
R. E. Wood.....	34			
T. Leihat.....	11	3		
Morrissey & Rogers.....	5,011	340		
Conboy & Fay.....	38	40		
Hartnett & Berry.....	532	2		
J. D. Hoffman.....	1,185	114		
P. Johnson.....	15	20		

1915.

PACKERS AND BUTCHERS.				
Swift & Co., South St. Paul, Minn.....	218,681	90,519	1,321,202	176,96
Katz & Hertz, South St. Paul, Minn.....	10,157	818	2,894	7,72
Bronson & Wight, South St. Paul, Minn.....	1,714	938	508	1,32
R. J. King, South St. Paul, Minn.....	1,693	2,674	1,493	1,96
Armour & Co., Chicago, Ill.....	12,007		494,714	
Cudahy Packing Co., Sioux City, Iowa.....	2,752	2,755	22,776	2,73
Cudahy Bros. Co., Cudahy, Wis.....				
Morris & Co., Chicago, Ill.....	657		2,821	
Swift & Co., Chicago, Ill.....	8,430		39,861	57
Albert Lea Packing Co., Albert Lea, Minn.....	184			
Bimble & Co., Harrison, N. Y.....			18,165	
E. A. Blackshire, Baltimore, Md.....			5,902	
Columbus Canning Co., Columbus, Wis.....	31			58
J. E. Decker & Sons, Mason City, Iowa.....	226		5,534	
J. Dold Packing Co., Buffalo, N. Y.....			474	
Drummond Packing Co., Eau Claire, Wis.....	21		863	
Elliott & Co., Duluth, Minn.....	33			
Fergus Packing Co., Fergus Falls, Minn.....	70		406	
Fostoria Provision Co., Fostoria, Ohio.....	23			
H. Gifford, Berwick, Iowa.....	36			
P. S. Gifford, Mingo, Iowa.....	40			
Hammond, Standish Co., Detroit, Mich.....			110	
Hartisford Canning Co., Woodland, Wis.....	33			
Geo. A. Hormel & Co., Austin, Minn.....	839	22	48,517	
Interstate Packing Co., Winona, Minn.....			1,606	
Kneeskern & Witt, Castalia, Iowa.....	64			
Kohrs Packing Co., Davenport, Iowa.....	161			
Langdon & M., Buffalo, N. Y.....			192	
Luley Abattoir, St. Paul, Minn.....	222			
J. T. McMillan Co., St. Paul, Minn.....			26,963	
J. Morrell & Co., Sioux Falls, S. Dak.....			6,233	
Nagle Packing Co., Detroit, Mich.....				5
North Packing & Provision Co., Boston, Mass.....			10,471	
Ohio Provision Co., Cleveland, Ohio.....			524	
Parker Webb & Co., Detroit, Mich.....			592	
Peerless Packing & Provision Co., Chicago, Ill.....	998			
Plankinton Packing Co., Milwaukee, Wis.....				25

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY. 515

ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.—Continued.
 ment of disposition of live stock to packers, butchers, and dealers—Contd.
 1915—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
PACKERS AND BUTCHERS—continued.				
Packing Co., Waterloo, Iowa.....			1,259	
l Packing Co., Grand Rapids, Wis.....	147	63	304	
inclair & Co., Cedar Rapids, Iowa.....				2,874
& Barnes Co., New Haven, Conn.....			8,719	
held Provision Co., Springfield, Mass.....			6,311	
quire & Co., Boston, Mass.....			8,227	
s Packing Co., Chicago, Ill.....	27		2,158	
ger & Sons, Jersey City, N. J.....	2,573			575
Dressed Beef Co., New York, N. Y.....	1,025			
r Bros., Buffalo, N. Y.....			170	
Pever & Dexter Co., Worcester, Mass.....			9,216	
r, airport, Iowa.....	31			
nd Provision Co., Cleveland, Ohio.....			4,736	
usch, St. Paul, Minn.....	3,377	112		
n, St. Paul, Minn.....	806	68		
is, St. Paul, Minn.....	520	22		
reys, Minneapolis, Minn.....	814			
g & O'Connell, Minneapolis, Minn.....	1,428	57		
berg, St. Paul, Minn.....	2,091	1	376	
man, St. Paul, Minn.....	718	347		
berg, St. Paul, Minn.....	32	5		
owitt, St. Paul, Minn.....	596	9		
in, St. Paul, Minn.....	1,278	157		
on, St. Paul, Minn.....	1,732	1,049		
DEALERS.				
anes & Co.....	6,902			
& Co.....	23,215			
& Hamtree.....	16,691			
& Humphreys.....	26,026			
an Cattle Co.....	3,783			
Bros. & Fahey.....	18			
man & Son.....	3,794			
ltgerald.....	1,959			
& Page.....	14,853			
sim.....	914			
tt. Throckmorton & Co.....	10,803			
ttle Co.....	4,152			
son.....	84			
Johnson.....	12			
ing.....	28,695			
ing.....	4,632			
dale Cattle Co.....	17,468			
Berry.....	14,252			
Cattle Co.....	73,650			
ev & Rogers.....	2,124			
feGuire.....	3,318			
mith & Co.....	10,831			
on.....	311			
r & Thomas.....	49,548			
vanson & Co.....	16,830			
child & Sulzberger.....	573			
huet & Co.....	25,778			
P. Wood.....	1,014			
otal for dealers.....	365,220			

1914.

PACKERS AND BUTCHERS.				
Co., South St. Paul, Minn.....	164,760	70,974	1,045,035	231,184
ick Packing Co., South St. Paul, Minn.....	154	4	186	910
Hertz, South St. Paul, Minn.....	5,739	965	1,537	5,706
& Wight, South St. Paul, Minn.....	1,641	1,075	890	3,101
ing, South St. Paul, Minn.....	2,112	2,774	1,473	2,892
& Co., Chicago, Ill.....	1,155		326,852	10,140
Packing Co., Sioux City, Iowa.....	377	2,538	6,218	8,703
Bros. Co., Cudahy, Wis.....				

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ST. PAUL UNION STOCKYARDS CO., SOUTH ST. PAUL, MINN.—Continued.

Statement of disposition of live stock to packers, butchers, and dealers—Contd.

1914—Continued.

	Cattle.	Calves.	Hogs.	Sheep.
STATE BUTCHERS.				
Albert Lea Packing Co., Albert Lea, Minn.; Fergus Packing Co., Fergus Falls, Minn.; Elliott & Co., Duluth, Minn.; Geo. A. Hornel & Co., Austin, Minn.; Interstate Packing Co., Winona, Minn.	700	17	39,043	
CITY BUTCHERS.				
G. Bartusch, St. Paul, Minn.; N. Cohn, St. Paul, Minn.; A. Davis, St. Paul, Minn.; E. A. Drews, Minneapolis, Minn.; Feinberg & O'Connell, Minneapolis, Minn.; G. Fishman, St. Paul, Minn.; B. Kasowitz, St. Paul, Minn.; Luley Abattoir Co., St. Paul, Minn.; J. T. McMillan Co., St. Paul, Minn.; M. Rifkin, St. Paul, Minn.; M. Simon, St. Paul, Minn.	1,338	53	32,562	48
OUTSIDE PACKERS.				
Bimble & Co., Harrison, N. J.; Cleveland Provision Co., Cleveland, Ohio; J. E. Decker & Sons, Mason City, Iowa; Drummond Packing Co., Eau Claire, Wis.; J. Dold Packing Co., Buffalo, N. Y.; Kohrs Packing Co., Davenport, Iowa; J. Morrell & Co., Sioux Falls, S. Dak.; Morris & Co., Chicago, Ill.; Ohio Provision Co., Cleveland, Ohio; Peerless Packing Co., Chicago, Ill.; Plankinton Packing Co., Milwaukee, Wis.; Rath Packing Co., Waterloo, Iowa; Reiland Packing Co., Grand Rapids, Wis.; Sperry & Barnes Co., New Haven, Conn.; J. P. Squire & Co., Boston, Mass.; Stowers Packing Co., Chicago, Ill.; Sulzberger & Sons Jersey City, N. J.; Swift & Co., Chicago, Ill.; United Dressed Beef Co., New York, N. Y.; White Pevey & Dexter C., Worcester, Mass.	9,093	233	86,465	11,487
DEALERS.				
Banes & N.	6,618			
Barten, Berry & Carson.	16,883			
Barton Son & Bailey.	2,239			
L. Becker & Co.	14,356			
Bovey & Humphries.	3,724			
Dakota Cattle Co.	4,522			
J. B. Fitzgerald.	2,704			
E. Freeman.	3,133			
Grisim & Page.	8,292			
G. L. Haskinson.	4,831			
Hartnett & Smith.	7,330			
A. B. Henness.	17			
Iowa Cattle Co.	339			
Paul Johnson.	77			
E. D. King.	18,983			
J. King.	78			
J. R. King.	497			
Lauderdale Cattle Co.	14,046			
D. H. McGuire.	25			
Melady Cattle Co.	13,984			
Slimmer & Thomas.	46,198			
C. L. Swanson.	7,740			
Swanson & Gearen.	3,177			
P. L. Thuet.	15,394			
E. A. Whitman.	208			
Total for dealers.	195,403			

(Thereupon, at 5.20 o'clock p. m., the committee adjourned until Friday, January 24, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF MEAT-PACKING INDUSTRY.

FRIDAY, JANUARY 24, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Hon. Thomas P. Gore, presiding.
Present: Senators Gore (chairman), Gronna, Norris, and France.

STATEMENT OF MR. THOMAS CREIGH, GENERAL COUNSEL THE CUDAHY PACKING CO., 111 WEST MONROE STREET, CHICAGO, ILL.

Mr. CREIGH. Mr. Chairman, in order to make the record complete as to the Cudahy Packing Co., may I read a telegram that I received yesterday from Mr. Cudahy?

The CHAIRMAN. Yes, sir.

Mr. CREIGH. This is addressed to Senator Gore [reading]:

CHICAGO, January 23, 1919.

Hon. THOMAS P. GORE,

Chairman, Washington, D. C.

It has been my intention and desire to ask permission of you to appear before your committee in order to present a statement of facts pertaining to the operations of the Cudahy Packing Co., feeling that I could give you a great deal of information which would be of value to you in connection with the proposed legislation. I regret to state that I have been under the doctor's care for the past two weeks and at the present time he refuses to permit me to travel. Under the circumstances I would like permission to have my representative, Mr. Thomas Creigh, appear before your committee and make a statement for me. If in the next few days I should be in condition to travel I would like to have permission to appear personally. Thanking you for your consideration.

EDWARD A. CUDAHY,
President the Cudahy Packing Co.

So if the Armour people do appear here to-day, it would be entirely in line with our convenience for them to appear, in accordance with whatever arrangement may have been made, and we shall be glad to come in next week at the convenience of the committee.

Senator NORRIS. Have you information as to when Mr. Cudahy could be here?

Mr. CREIGH. I have not heard to-day how he is. Yesterday was the first day he had been able to go to his office. I am quite certain he will come here next week, if he can come at all. I personally have had perhaps as much to do with the Federal Trade Commission's investigation and the various aspects of the bill as anyone, so that while Mr. Cudahy personally wants to appear, I also hope

to have a part in the program, and probably we shall need considerable time.

Senator NORRIS. You are attorney for the Cudahy Co.?

Mr. CREIGH. I am the general attorney. That means I am one of the executive officers, Senator, not trying lawsuits, but being in the business.

Senator NORRIS. I just wanted to know if you had knowledge of the business of the Cudahy Co. so that you could testify about practically the same things that Mr. Cudahy could. In other words, could you be the witness instead of Mr. Cudahy himself?

Mr. CREIGH. Of course, Mr. Cudahy is the chief executive officer of the company and has control of its policies and all of those things. As to the general business of the company, he certainly would be the most capable witness. I regard him as one of the premiers of the packing-house world. I myself have a great deal of information and have made a study of the packing industry for many years, and I flatter myself that I know a few things about it which might perhaps help a little in this investigation.

Mr. HEALY. Mr. Swift is now before the House committee, and the probabilities are he will be engaged there all of the day, but he is ready to meet the convenience of the committee at any time and appear as a witness here to-morrow, if you have a session, or Monday or Tuesday of next week.

The CHAIRMAN. We will try to hear him within the next two or three days. I think we would like to finish by Tuesday.

Senator NORRIS. We would like to, I know, but I would rather go on with the hearings until we do finish, no matter how long it takes, avoiding repetition as far as we can. On the stock yard end of it we have probably used more time than was necessary, because there has been so much repetition. I would like to avoid that, but we will have to trust to some extent to the men who appear, because we do not want to be in the attitude of keeping anybody out.

STATEMENT OF MR. J. OGDEN ARMOUR, REPRESENTING ARMOUR & CO., CHICAGO, ILL.

Mr. ARMOUR. Mr. Chairman and gentlemen of the committee, before I enter into a discussion of the various provisions of the pending bill now under investigation by this committee and before I give you my views with reference to the specific matters referred to by the Federal Trade Commission or by Mr. Colver, its chairman, I want to make a brief preliminary statement.

The questions now on hearing are of nation-wide, yes, world-wide importance and significance. They divide themselves primarily into two parts—first, are Armour & Co. a party, directly or indirectly, in any way or form, to a combination, or a conspiracy, or any kind of an arrangement that violates the law or the ethics of business; and, second, what is the cause of the high price of meat?

On the first question I desire to say with all of the emphasis that words can convey that Armour & Co. are not now and have not been for many years a party, in the most remote degree, to any pool, arrangement, agreement, or combination of any kind whatever for the control, regulation, or limitation, or restriction of the purchase of

live stock or the sale of any of the products or by-products thereof. Any and every statement which charges that such a combination or arrangement exists is untrue. There is not and has not for many years been any arrangement, any agreement, or any understanding or action or conduct of any kind whatever which in any possible way supports these charges. Armour & Co. are in no understanding, are in no agreement, express or implied, with any other packer or with any other person or company which has for its purpose or has the effect of limiting the amount or kind of live stock purchased or to be purchased, or fixing the price or prices to be paid therefor, or arranging a division of territory, or controlling, or regulating, or fixing in the most remote degree the manner, the method, or price or prices at which any or all the commodities dealt in by Armour & Co. are purchased, handled, distributed, or sold.

I shall go into more detail in the statement that follows on the questions that I have just referred to. In this connection I want to say that at no time and under no circumstances have Armour & Co., or any of their representatives, been given the opportunity, or the chance, or even the privilege of either answering or explaining, under oath or not under oath, any of the charges or matters to which I have just made reference. This is the first chance I have been given and I am glad to have the opportunity and exercise the right of an American citizen to explain to you and through you to the American people the real and true facts.

Let me add here that in the investigation made by the Federal Trade Commission, and which has resulted in the pending bills, it has been admitted by Chairman Colver that we were afforded no opportunity to produce witnesses, to introduce testimony, to examine or cross-examine the witnesses called by the commission, or to explain or answer any of the letters or documents which were introduced at that hearing, or any of the innuendos or charges based hereon. It has been admitted that that hearing was entirely *ex parte*, and to that extent I feel justified in saying, and I do say, without any desire to criticize the Federal Trade Commission or any of its members, that that method of procedure has worked very serious injury to our industry not only in this country, but also in foreign countries, and I think has been most unfair and unjust to us. Let me be clearly understood—I do not question the honesty of the Federal Trade Commission, but I leave it to the committee to say, after I have been heard in full, whether the course pursued has resulted in the ascertainment of the real truth and whether the method has not done grave injustice to Armour & Co., and to the industry in general.

I think that many of your committee are experienced and able lawyers. It hardly becomes a layman to say to such of you as are lawyers that anybody, no matter how honest, can be convicted of any offenses, if colored, *ex parte*, and unexamined hearsay evidence is permitted to go unchallenged and unexplained. One need but read at random any page of the voluminous record of the commission's investigations and he will be immediately confronted with the demonstration that evidence of that kind does not justify even the presumption that there has been a violation of the law.

WHY PRICES ARE HIGH.

The second question is one that concerns all of the people because they all consume packing-house products—Why is the price of meat and other products of the packing house at present levels?

Bacon to-day costs you something like 70 cents a pound, and you bought it four years ago for 25 or 30. What has caused that increase is the principal question back of this proposed legislation. I believe that if that question be answered to the satisfaction of the public there will be no call for such drastic measures as the pending bill provides. I am going to tell you as briefly as I can just why bacon costs you so much more to-day than it did before the war.

In 1915 our company paid for live hogs on the Chicago market an average price of \$7.10 per hundred pounds. In 1916 the average was \$9.60. In 1917 it went to \$15.10 and in 1918 it was \$17.45 per hundred live weight. It is the same and even higher now. The increases in the price of the live hog during the four years in question figures 45 per cent.

But that increase is not the sole reason for high-priced bacon. Hogs dress on the average about 70 per cent. That is 70 per cent is pork and the remainder by-product material. This latter did not increase in value as rapidly as did the live animal and so the meat portion of the animal—that is the 70 per cent—had to carry nearly the whole burden of the increased price of the live animal. But even this does not cover all the reasons for increased prices. The cost of labor and clerical help doubled during the period in question, and the same holds true for fuel. In fact every item entering into the cost of a pound of bacon greatly increased and augmented that 45 per cent increase caused by the mounting price of the live hog.

And that, gentlemen, is why bacon to-day costs something like three times what it did four years ago. What is true of bacon is true of other meat foods.

The CHAIRMAN. Would it disturb you to ask you to insert in your statement at this point a list of the by-products coming out of the other 30 per cent?

Mr. ARMOUR. I can have those put in.

The CHAIRMAN. I wish you would, if you can not do it off-hand.

Mr. ARMOUR. There are the livers, lights, blood, and different things. I can see that those are put in.

The CHAIRMAN. I wish you would do that, and then insert a schedule of the increased prices of those by-products.

Mr. ARMOUR. The price of live cattle increased proportionately during the period in question and so did the price of sheep. To show you the effect upon our profits of the high prices prevailing now, I will read to you my report which accompanied our annual financial statement just issued on January 15. It reads as follows:

Record high prices for meat produced record low profits for the fiscal year 1918: Though the volume of business represented a tremendous increase over 1917 (approximately 50 per cent), the abnormally high prices of all commodities we used, and consequently of the products we sold, so impaired commercial conditions that our profit margins were reduced almost to the vanishing point. Labor costs, taxes, and other outlays were so heavy that in the

year of our greatest commercial activity our profits were less, per dollar of sales, than at any time in our history.

Our gross volume of sales in this country, both domestic and for export, was \$861,000,000, compared with \$575,000,000 in 1917. In spite of this increase our net profit was but 1.8 cents on each dollar of sales, as compared with 3.7 cents in 1917.

The CHAIRMAN. Now, could you put in the record at this point the number of pounds of beef and pork that that represented?

Mr. ARMOUR. Yes. I do not know whether we have that here or not.

The CHAIRMAN. The prices have gone up so much these figures would not reflect the extent of the business in pounds.

Mr. ARMOUR. No; it would not. I will be very glad to give you the number of pounds.

Mr. MAYER. Senator Gore, you mean the increase in sales by pounds of meat and by-products?

The CHAIRMAN. Yes, sir. You see, the point I am making is that the increase in the dollars account does not reflect the increase in the business by pounds.

Mr. ARMOUR. Our net income for the period (53 weeks) was \$15,247,837.53, at the rate of 9 per cent on our average net capital invested and 14.7 per cent on our common stock (after provisions for dividends on preferred); \$2,000,000, or only 2 per cent has been paid out in dividends on the common stock, we being compelled to reinvest the balance, over \$13,000,000, in the business to meet the ever-increasing demand for additional facilities; this in addition to the \$60,000,000 which we borrowed on our convertible debentures.

Our profit account shows that we, along with the consumer, have suffered because of high prices. Our business is predicated on a rapid turnover of a big tonnage at a small margin of profit, and high prices are not conducive to quick turnover. We are helpless in the matter of reducing prices. They are high because of the heights to which live stock and labor have gone. Our labor costs last year were \$20,000,000 more than the preceding year. The same number of pounds of live stock cost us in 1918 \$100,000,000 more than in 1917.

The CHAIRMAN. What did?

Mr. ARMOUR. The same number of pounds of live stock cost us in 1918, \$100,000,000 more than in 1917.

The CHAIRMAN. Could you, in completing the record, state the total purchases in each year? You say the increase is \$100,000,000?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. That is, of course, significant in itself, but it does not give the boundaries, the amount purchased altogether in the two years. You say your labor outlay increased \$20,000,000?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Now, could you state the total expended for labor or the two years, as well as the difference?

Mr. ARMOUR. Yes, sir. We will be glad to give you that, Senator.

The United States Government, through the agency of the Food Administration, compels us to pay a minimum of \$17.50 per hundred pounds, live weight, for hogs, which can not, at that figure, produce cheap bacon, pork and other hog products; and cattle at \$16 or more per 100 pounds on the hoof can not produce cheap beef. Stock raisers

assert that such high prices are necessary to pay them for the increased production, and we realize the need for prices which will encourage continued agricultural effort. While the extraordinary demand from Europe continues, there is little prospect of lower prices.

The United States Government, through the Food Administration, formulated on November 1, 1917, regulations limiting our profits in a more drastic manner than was prescribed for any other industry. Thus our profits were limited to 2.5 per cent on our volume and 9 per cent per annum on the capital invested in the meat-producing lines. We were able to earn only a very small fraction of the amount allowed on volume, and only about one-half of the authorized return on invested capital.

We are more than recompensed for the greatly lessened profits by the satisfaction which comes from the knowledge that our company was a factor in winning the war. Our ability to meet the tremendous food demands of the fighting millions in Europe, an ability made possible only by the magnitude, the scope, and the efficiency of our organization, was of inestimable value to the United States and to the allies.

During the year we delivered to our Government and to its European associates food products of a value of \$241,000,000 from our plants in this country alone. We sent forth thousands of tons of food and got back a minimum of complaint, and not a word of criticism as to the efficiency of our service.

Our more than 60,000 employees are entitled to a large measure of credit for the accomplishments of the year, for without their loyalty and ungrudging cooperation it would have been impossible to have delivered the food which meant victory.

To meet war requirements we had to greatly increase our investments. This increase in 1918 amounted to approximately \$90,000,000, of which \$20,000,000 was for additional plant facilities and capital assets and \$70,000,000 in increased inventories and outstanding accounts. To finance this expansion the company in June sold \$60,000,000 of 6 per cent debentures, maturing one-sixth each year, 1919 to 1924, inclusive, and convertible into the company's new 7 per cent preferred stock, thus offering to the public an opportunity to participate in the management and profits of our business.

The CHAIRMAN. Are these improvements permanent and such that they will be of use in peace times, or will you have to amortize them in a short time?

Mr. ARMOUR. I can hardly answer that question. I think a great many of them will be permanent; some of them, of course, will not. The majority of them will be permanent if the business holds up.

Senator PAGE. The natural tendency of your business is constantly to increase, is it not?

Mr. ARMOUR. Yes; that has been the experience in the past. The increase has been much greater, of course, during the war than in ordinary times, and we have naturally had to expand more than we would if conditions had been natural. But we will grow up to them; whether this year or next I do not know.

Approximately \$70,000,000 of debentures have already been converted, and some 2,400 additional persons have thus become preferred stockholders in Armour & Co.

It has been necessary for our foreign corporations to retain all of their own earnings in order to assist in financing their own development.

Despite the handicap of the year—traffic congestion, fuel, and labor shortage; scarcity of coal, tin, and other supplementary supplies; and the difficulties incident to abnormal forcing of the capacity of our plants—our company retains its effectiveness and complete ability to perform its economic and industrial functions. It is of the greatest importance to the producers and the consumers of this Nation that we exist as a marketing machine. The wealth of the soil is valueless until it is taken to the consumer in shape for use, and our company is a machine for the development of markets. In a country as vast as ours national distribution and market development is essential, and only a national organization can efficiently do the work. As our country grows our company will have to expand, for only by so doing can we adequately meet the purpose and necessities for which we exist.

During the past year we have operated under the rules and regulations prescribed by the United States Food Administration, and we have faithfully met their every requirement.

The CHAIRMAN. In discussing the bill do you have reference to the bill based on the recommendations of the Federal Trade Commission or to the Kendrick bill? It is the bill introduced by Senator Kendrick that is pending before the committee; the bill based on the recommendations of the Federal Trade Commission is before the Interstate Commerce Committee of the House.

Mr. ARMOUR. I wish to say, Mr. Chairman, that I prepared these remarks for the House committee, but if you will allow me to proceed and I make any statements that do not apply to this I will be very glad either to omit it or enlarge upon it.

NATURE OF PENDING BILL.

Since I left college at the age of 19 I have been connected with Armour & Co., and my life's work has had to do with the problems incident to the feeding of the Nation. I make this prediction: The legislation now proposed can not work to the interest of the producer except at the expense of the consumer; it can not cripple the meat-packing industry and fail to make the general public suffer.

I interpret this bill as an effort to dissolve an alleged monopoly and to decentralize the meat-packing industry. It seems to be constructed in the belief that a great number of small units engaged in the purveying of food is preferable to a few which are organized on a national scale. It is charged that if the present movement in the food industry continues it will mean the elimination of certain competing factors now existing.

I say to you that to condemn the railroad for putting the stage coach out of business is as reasonable as any condemnation of the packing industry for the progress it has made in solving the scientific problems involved in moving food from the farm to the table.

Unity of purpose is the demand of the world to-day. We have witnessed the merger of practically every civilized nation for the accomplishment of a task which, separately, they could not have

accomplished. We have seen possible defeat turned into glorious victory by the centralization of military command after the utter failure of the representatives of that school of thought which fears to create power lest it be abused.

William G. McAdoo gave expert opinion on the matter of commercial or industrial power when he stated to Congress recently:

I am frank to say that I do not believe that these important reforms can possibly be accomplished if we are to have in the future several hundred different railroad companies as we have had in the past.

The great organizations which exist in the meat-packing industry illustrate the kind of unity which economists agree produce the greatest efficiency of service.

It is said that our size and power makes it difficult for others to enter competition. To a certain extent that is a fact, because it is difficult to duplicate in a day anything which has been half a century in the making. Our country was not built in a day and no possible kind of conspiracy could have conjured it up, neither was Armour & Co. the result of anything other than industry and painstaking and, if I may say it, intelligently directed efforts to improve and expand through rendering better and cheaper service.

HOW ARMOUR & CO. GREW.

Great size in itself does not cause efficiency, but great efficiency eventually runs to size.

I assume that you want to know just how there came to be such large organizations as are being considered here, and I am going to give you enough of the financial history of Armour & Co. to show how the size of the firm is the result of honest and logical growth and an ability to render the best and most economical service.

The present day Armour & Co. dates from 1867, but it had its real inception in 1863 when my father, Philip D. Armour, became the junior partner in the little Milwaukee packing firm of Plankinton & Layton, the name of which automatically changed to Plankinton & Armour.

The packing business then was far from being what it is to-day. Plankinton & Armour were essentially pork packers, or, more literally, pork curers and packers.

There was no refrigeration in those days and the packers did not handle fresh meat except in a limited and local way during the winter months. Curing and packing were winter jobs only, and the distributing of the cured pork was attended to after warm weather had made additional slaughtering and curing impracticable.

The Chicago firm of Armour & Co. was at first subsidiary to Plankinton & Armour, but it was not long before the tail began wagging the dog, and in 1868 it represented a capital investment of \$160,000. From the very first it was the policy of Armour & Co. to skimp on dividends in order that the greater part of the profits could be reinvested in the business.

PROFITS REINVESTED.

The policy of reinvestment has been carried out so consistently in the succeeding years that 87.90 per cent of the total earnings have

been reinvested in the business and only 12.10 per cent has been drawn out for the personal and private use of the owners.

The ethics of thus reinvesting a large portion of earnings has come in for considerable discussion and the theory has been advanced by some that the capitalization of profits is improper and calculated to conceal true earnings. I can not see how any reasonable and farsighted person can entertain such a belief. The great merchants of all ages were for the most part men who started out with their total capital represented by the merchandise pack on their backs. They sold to advantage and reinvested their profits in more merchandise and gradually built up their business until they could afford stores. The building-up process did not stop there and some of the great mercantile establishments of the world to-day are monuments to the practice of the reinvestment of earnings.

If it is wrong to reinvest profits it is wrong to buy war savings stamps with the interest from libery bonds; it is wrong for the Bible to hold up as an example the servant who traded so skillfully with the 5 talents given him by his master that he turned them into 10 talents.

THE FIRST BRANCHES.

In 1869 Simeon B. Armour, a brother of Philip D. Armour, began cattle-killing operations at Kansas City under the firm name of Plankinton & Armour. Most of the cattle killed by the Kansas City branch of the firm were pickled. This Kansas City institution developed under the guidance of my father's brothers, and in 1883 became Armour Packing Co., which merged with Armour & Co. in 1900.

The packing business was still largely a pickling business up to this time, despite the fact that the refrigerator car had been invented in 1868 and given a tryout in 1869, when dressed beef was shipped to Boston during the winter months following the first consolidation of a through-line railway from Chicago to the Atlantic coast.

In 1872 Armour & Co. moved their Chicago plant into the Union Stock Yards, which had grown rapidly after their establishment in 1865, and in 1874 my father built the first large chill room in the world. Armour & Co. had grown to such proportions by 1875 that my father moved to Chicago to take personal charge of the business. With him came Michael Cudahy, superintendent of the Chicago plant. It is of interest to note that Mr. Cudahy became a partner in Armour & Co. in 1877 and remained in the firm until 1890, when he secured possession of a plant at Omaha and founded and began operations there under the name of Cudahy Packing Co.

REFRIGERATOR CARS OPEN NEW FIELDS.

Several noteworthy events in the industry took place at this time. Probably the most important was the utilization by the Armour Packing Co. of the newly invented refrigerator cars for the systematic marketing of fresh beef. My father saw very clearly that the refrigerator car was the "open sesame" to a business of tremendous proportions, that it linked the meat-producing sections of the great West to the more densely populated and heavy meat-consuming centers in the East.

Up to this time there was no such thing as an adequate fresh-beef supply in the East and such western beef as got there went alive in stock cars. Moving cattle from the prairies where production costs were low, to the eastern centers of consumption where grazing lands did not exist, entailed transportation which was both poor and costly. A 1,000-pound steer so transported represented 550 pounds of dressed meat and 450 pounds of what was then practically all waste, but which figured in the transportation charges for all that. The refrigerator car offered a way to get beef from the West to the East even in summer time, and Armour & Co. set out to take advantage of that fact.

A snag was encountered at the very outset. The railroads did not take kindly to the suggestion that they build refrigerator cars for the transportation of fresh meat. Whether it was because they feared a loss of revenue as a result of a diminution of the traffic in live animals between the ranges of the West and the cities of the East, or whether it was merely reticence about trying out a new-fangled idea, at any rate they refused to add refrigerator cars to their equipment.

No amount of reasoning or pleading moved them and eventually Armour & Co. were compelled to build their own fleet of refrigerator cars.

Business expanded rapidly with the invention of the refrigerator car due to the novel opportunity of eating fresh meat in what was then considered the "off season."

BY-PRODUCTS UTILIZATION.

During the decade from 1880 to 1890, Armour & Co. continued to expand rapidly as new fields of endeavor opened up. It was during this period that the utilization of by-products began and the development of that part of our business, more than any other factor, accounts for our being engaged in so many industries which at first glance seem unrelated to meat packing.

In 1880 the firm found a satisfactory outlet for beef suet by beginning the manufacture of oleomargarine. Two years later, methods were found for using blood, bones, and meat scrap. In 1884 the firm engaged in the glue business so as to have an outlet for great quantities of animal material that in the past had been wasted. The following year the firm was able to put a high-grade pepsin and a beef extract on the market and in the years that followed ways and means were found to utilize everything in or on a meat animal.

I assume that you know the economic aspects of this by-product development—how it has enabled the producer to get more for his meat animal and the consumer to pay less, proportionately, for his meat. The big packers are to be credited with this development for without their quantity production the by-products industry could not have been developed. For example, 5,000 steers must be killed before we can produce 1 pound of posterior pituitary substance from which is made pituitary liquid, a drug valuable in preventing shock after a wound is sustained. Needless to say, small packers could not produce many pounds of pituitary liquid, because by the time they have killed any considerable number of animals,

the pituitary glands from the first animals killed have ceased to be usable.

From 1890 to 1900 the firm continued growing and expanding. We entered into the manufacture of dry sausage largely for export, in order to better utilize coarser cuts of meat, which while perfectly good and wholesome in every way, did not lend themselves to sale to best advantage on the market. We went into the fertilizer business primarily to utilize the great quantity of packing-house waste. A similar reason caused us to enter into soap-making industry.

THE CHAIRMAN. What year did you go into the fertilizer business?

MR. ARMOUR. Between 1880 and 1890; I do not know the exact date, but it was in that period, more than 20 years ago.

Both of these latter businesses have long since ceased to depend upon packing-house waste for raw material, but for all that we regard them as important phases of our business. During this decade the firms total earnings were equal to 11.70 per cent annually on the invested capital and 71 per cent of the aggregate was reinvested in the business.

CAPITAL STOCK NOMINAL.

In 1900 the corporation of Armour & Co. was formed, succeeding the partnership of Armour & Co., and at this time a merger was effected with Armour Packing Co., Kansas City, because of the death of its head, Mr. Kirkland B. Armour. The capital stock of Armour & Co., the corporation, was \$20,000,000, and the combined capital stock and surplus \$33,438,981.41. As has heretofore been stated, from the beginning of the business in 1867 to the present day, it has always been the policy of Armour & Co. to reinvest the most of their profits each year in the business of the company. This is made necessary by the very nature of the business itself. Notwithstanding the great part of the profits are put back into the business, we are and always have been, very large borrowers of money.

During 1868 to 1880, over 80 per cent of the profits of the firm was put back into the business as earned in order to enable it to meet the increasing demands on its owing to the development of the live-stock industry.

SENATOR PAGE. During that time, Mr. Armour, did you pay dividends to the stockholders?

MR. ARMOUR. We paid very small dividends.

SENATOR NORRIS. How much?

MR. ARMOUR. I do not know. We probably paid out the difference, I think, between what was reinvested in the business and what was earned, although there was a period of a great many years that we did not pay any dividends at all.

SENATOR NORRIS. I mean at this particular time you are talking about now.

MR. ARMOUR. During the 14 years preceding the breaking out of the great war, of the aggregate earnings of the company 86.26 per cent was reinvested in the business.

SENATOR NORRIS. Then, in round numbers, there was 14 per cent divided up among the stockholders in the shape of dividends?

Mr. ARMOUR. I would think so, that is for 14 years.

Senator NORRIS. What we are trying to get at now is, what was the amount of those dividends?

Mr. ARMOUR. I have not got that information here; I can bring it to you.

Senator NORRIS. Would it be 14 per cent?

Mr. ARMOUR. I think so.

Senator NORRIS. That 14 per cent is 14 per cent of the total earnings; that would not mean that you paid 14 per cent dividends. What I would like to know is—not only in that era but any other, although that is particularly interesting—whether while you set aside a lot of earnings to be reinvested, you were still paying dividends to the stockholders.

The CHAIRMAN. Let us get him to include, Senator Norris, a schedule showing the dividends declared each year since the company was incorporated.

Mr. ARMOUR. I will see that you get that.

Senator PAGE. When did you execute your bonds? In what year?

Mr. ARMOUR. In 1913, I think it was.

Senator PAGE. And those are 4½ per cent?

Mr. ARMOUR. Yes, sir.

Senator PAGE. And they are selling at about 86 or 85?

Mr. ARMOUR. Oh, I do not know. I do not really know what they are selling for; I think a little better than that.

The CHAIRMAN. Did you have any bonds outstanding prior to 1914—which year was it?

Mr. ARMOUR. I think it was either 1912 or 1914. Our business grew so rapidly and our bills payable increased so fast it became necessary to put out bonds.

Mr. MAYER. You want a schedule of the dividends?

Senator NORRIS. Yes, sir.

The CHAIRMAN. The dividends declared year by year, and also—

Senator NORRIS. The amounts set aside as surplus.

Mr. MAYER. Each year, by years?

Senator NORRIS. Yes, sir.

The CHAIRMAN. You had better give the exact dates by years and the amounts of the bonds issued.

Mr. ARMOUR. I think I can pretty nearly answer that question now. I think for a great many years after Armour & Co. became a corporation we did not pay any dividends at all.

Senator NORRIS. I think it is important to know that.

Mr. ARMOUR. But I can say to you now that never since Armour & Co. became a corporation have we paid more than \$2,000,000 dividends, and that is 2 per cent on our present capital stock.

Senator NORRIS. That does not mean much, because your present capital stock is not what it was when you were paying the dividends. The rate per cent is important.

Mr. ARMOUR. The amount is the same.

Senator NORRIS. Because \$2,000,000 on one capital stock might mean much more than 2 per cent on another capital stock.

Senator PAGE. It is 2 per cent on their existing capital stock.

Senator NORRIS. Yes; but if they paid these dividends when the capital stock was only half as much, it would be a great difference.

The CHAIRMAN. Was that \$20,000,000 at which you were incorporated in 1900 divided into common and preferred stock?

Mr. ARMOUR. All common stock.

Senator PAGE. You have never had a preferred stock until quite recently?

Mr. ARMOUR. No, sir.

Mr. MAYER. Not until last year.

The CHAIRMAN. How much is preferred and how much is common?

Mr. ARMOUR. There is \$7,000,000 preferred and \$100,000,000 common.

Mr. MAYER. That is, Senator Gore, the debentures are exchangeable for preferred stock; \$7,000,000 has been converted.

The CHAIRMAN. Converted into preferred?

Mr. MAYER. Yes, sir; not into common.

During the 14 years preceding the breaking out of the great war, of the aggregate earnings of the company 86.26 per cent was reinvested in the business. From the beginning of the war until the time the United States entered into it, of the aggregate earnings of the company 88.38 per cent was reinvested in the business. In 1917 and 1918 over 91 per cent was thus reinvested.

FOUR HUNDRED PER CENT STOCK DIVIDENDS.

Let me take this occasion to comment on the much-talked-of 400 per cent stock dividend which we declared in 1916 and which has often been cited as an example of the enormous profits being made in the packing industry. The Federal Trade Commission, in an official report to Congress, gave currency to this. They said:

Thus Armour & Co. in 1916 raised its capital stock from \$20,000,000 to \$100,000,000 without receiving a dollar of cash.

That statement is entirely misleading.

It implies that by some magic the company put in the pockets of the stockholders \$80,000,000 without receiving 1 cent in return therefor. This is not a fact. By this transaction the stockholders did not receive 1 penny. It merely gave each stockholder five shares of stock where formerly he held one, the value of which was equal to the five which replaced it. It was merely a bookkeeping transaction, perfectly honest and legitimate in every respect. Our company was a family concern. Its few stockholders did contribute every penny of that capital. As I have already shown, during the development of the business from its inception in 1867 down to the time of the declaration of that stock dividend, the stockholders, instead of taking the earnings each year out of the business by way of personal dividends to themselves, allowed the profits to remain and be reinvested in the business, thus each year each stockholder was reinvesting his proportion of the earnings of the business for that year in the business itself and thus contributing to its capital.

Senator NORRIS. Now, Mr. Armour, I would like to ask you a few questions about that. I can not do it intelligently, because of the lack of the information I asked for in my other questions. You say that this stock dividend—

Mr. ARMOUR. May I explain it to you?

Senator NORRIS. You say it is for the stockholders, who contribute every penny of that capital. You are referring to the 400 per cent dividend. Now, do you mean to have the committee understand from what you just stated that during the time when this surplus was accumulating no dividend had been declared?

Mr. ARMOUR. No, sir; I did not mean that. I mean that the surplus was reduced by the amount that was added to the—

Senator NORRIS. I understand that, but this surplus that was converted into capital by this transaction was the profits of the company!

Mr. ARMOUR. Yes, sir; it was.

Senator NORRIS. What I am trying to get at is this: While this profit was accumulating, were you paying dividends to the stockholders? In other words, was this profit in addition to the dividends that were paid?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. You do not know what those dividends were?

Mr. ARMOUR. We will give them to you. I will say they were not more than \$2,000,000.

Senator NORRIS. Of course \$2,000,000 does not mean much. It would be what per cent on the capital invested?

The CHAIRMAN. This \$80,000,000 represents, I take it, not only the amounts passed as a surplus, but the value of the good will and the going business.

Mr. ARMOUR. No good will at all.

The CHAIRMAN. Was there \$80,000,000 passed as a surplus during this period?

Mr. ARMOUR. No, sir; they took \$80,000,000 from the accumulated earnings which was in the surplus account, and reduced that surplus account by the amount of the increase of the capital.

Senator NORRIS. They just took the \$80,000,000 out of the surplus and converted it into stock?

Mr. ARMOUR. And reduced the surplus by that amount. In other words, if the capital was \$20,000,000 and the surplus was \$80,000,000, they would take it and add \$80,000,000 to the capital stock, which would make the capital stock \$100,000,000 and reduce the surplus by that amount. That surplus was an accumulation of earnings.

Senator PAGE. And how many years did it take you, Mr. Armour, to accumulate that \$80,000,000?

Mr. ARMOUR. From the time we started?

Senator NORRIS. That is, from the time you were incorporated?

Mr. ARMOUR. Oh, no; from the time we started in 1863.

Senator NORRIS. When you incorporated, did you incorporate with a certain amount of stock and a certain amount of surplus?

Mr. ARMOUR. When we incorporated we incorporated for \$20,000,000 and had a surplus of \$13,000,000. I wish to say to you, gentlemen, that there has never at any time been any water injected into Armour & Co.; there is not a dollar of either surplus or capital or good will.

The CHAIRMAN. You say the surplus in 1900 when you incorporated was \$33,000,000, or was that the aggregate of the stock and surplus?

Mr. ARMOUR. No; that was the surplus. The value of Armour & Co. when we consolidated the business was \$63,488,000.

Senator PAGE. And that was what year?

Mr. ARMOUR. In 1900. And as I said before, and repeat now, there has never been at any time any water in the business; it all represents the accumulation of earnings.

Senator PAGE. And up to a certain time you say you did not divide anything with your stockholders?

Mr. ARMOUR. We did not pay any dividends at all. My father died in 1901, and for many years thereafter there were no dividends paid at all; they were all reinvested in the business.

Senator NORRIS. That was when the stock was all held by the family?

Mr. ARMOUR. Yes, sir.

Mr. MAYER. It is still.

The CHAIRMAN. How many stockholders are there now?

Mr. ARMOUR. Well, there is just the Armour family, Mr. Chairman. I suppose there are six or eight stockholders in the common stock, and in the preferred stock there are 2,100, I think.

Senator PAGE. And that has gone largely to your employees?

Mr. ARMOUR. To an extent, not entirely. A great many of our employees have it; I do not know the number.

Senator GRONNA. I was a little late in arriving this morning, and if I ask any question that Mr. Armour has already answered let me know and I shall not proceed.

I only want to ask, Mr. Chairman, when Armour & Co. was first organized, and the amount of cash put in at that time, and then I would like to develop that as the organization grew.

The CHAIRMAN. He has given the history of the organization.

Senator NORRIS. I am quite willing to desist entirely from asking questions until he finishes.

The CHAIRMAN. I think it is better to let him finish, as a rule, but occasionally it is necessary to ask some questions in order to develop the meaning of his statement.

Senator NORRIS. Probably it would be only fair to you to let you proceed without interruption.

Mr. ARMOUR. The surplus out of which this dividend was declared was not a liquid surplus, but largely brick and mortar supplies and inventories representing extensions and improvements in the plants and business, having then a growth and development of half a century. The actual fixed and working capital on which the company was doing its business was actually contributed dollar for dollar by the stockholders by refraining from taking their profits out of the business. The sole and only purpose was to make the actual share capital of the company more commensurate with the actual capital investment therein. Let me say further regarding this stock dividend: Whereas stock dividends ordinarily are intended to give the holder of stock a greater equity in the business on which to earn dividends and to so affect the market value of his stock, in this particular case there was no such motive, because Armour & Co. were a close corporation, with the stock, as I have said, held almost entirely in the Armour family and none of it was on the market.

The sum total of our reinvestments since 1868 represent Armour & Co. to-day, and I submit the above facts to show how it was possible for a \$160,000 firm to grow into a concern of our present pro-

portions with, I think, credit to the owners of the business and with benefit to the general public.

PROFITS AND PRICES.

Our financial statement, which I have already read to you, shows that our profits are negligible in so far as either the producer or the consumer is concerned. On our total volume of business they represent a return of less than 2 cents on every dollar of sales. The margin of profit in the packing industry is the smallest enjoyed by any industry of national consequence, and of the many firms which are engaged in packing, the ones which have come in for the most condemnation at the hands of the Federal Trade Commission are those which earn the least per dollar of sales. Note that in its special report on profiteering, the Federal Trade Commission says that some 60 or more of the so-called "independents" earned as much or more than did the "Big Five." Look at any financial compendium of corporate earnings, and you will find that the per cent of net earnings on turnover, or on capital invested in our company, is less than that in most, if not all, other big industries.

Mr. MAYER. We have here, Mr. Chairman, a compendium of 14 of the leading industries, showing, from 1912 to date, their earnings per cent on investment and their earnings per cent on capital stock.

TAKING ON OUTSIDE LINES.

Mr. ARMOUR. One of the most common reasons cited when attempts are made to heckle or cripple the packing industry, is that its entrance into fields other than that of meat packing is conducive to the building up of a food-purveying organization too broad in its scope to be for the best interests of the general public. I note that the chairman of the Federal Trade Commission has said:

The commission has no objection to mere size of an industry, but when a big concern ramifies into other fields to the detriment of legitimate business it is time to call a halt.

On that same basis the mail-order houses and department stores should be driven out, and the automobile industry should have been suppressed when trucks began invading the realm of the horse, and the United States post office should have been called up with a turn when it inaugurated the parcels-post system to compete with express companies.

While primarily our business was built to handle only meat products, we have found that there are certain seasons when the equipment would not be in use nor our sales force occupied if we confined them strictly to the meat food business. In particular, during the years 1911, 1912, 1913, and 1914 the supply of live cattle and hogs in this country was lower than they had been for quite a number of years while the population had greatly increased, with the result that meat-food products to be handled through our distributing agencies were decreasing while our expenses were increasing, which would have inevitably resulted in higher prices on all meat-food products to consumers. Not only was this true, but the

trade to whom we sold were continually soliciting us to handle certain lines of food products and one reason we are to-day in the business of selling such food products as canned vegetables, canned fruits, and other similar food products is that we may more profitably utilize our marketing facilities and organization at all seasons and times of the year and thus reduce our cost to market and our overhead expense. We are thus enabled to sell many products at lower prices, which directly benefits the trade and the consumer and is for the accommodation of our customers. This makes it possible for them to obtain more of their goods, embraced in one delivery, one invoice, one collection, and thus reduce the cost of handling goods all around, to the benefit of the ultimate consumer.

There are also a great many organizations in the United States which produce products over and above their ability to sell them. We have found it to our advantage and to the advantage of the producers as well as the consumers to use our distributing facilities for taking care of these products. By reason of handling these other products we are able to carry on this food line of business at a minimum profit because we can and do keep down the expense of the marketing of the food products by using our sales force and distributing facilities on the other lines. I will refer hereafter in more detail to this matter. Whatever advantage we may have over our competitor in the handling of these goods lies in the high character of the goods we sell and the character of the service rendered.

To a great extent also the better utilization of our packing house waste products led us into these many so-called outside lines.

POTASH AND PERFUME.

It seems a long jump from potash to perfume and why Armour & Co. should be handling two such products which seem unrelated at first glance is not apparent to the casual observer or maybe to those whose information is entirely of an ex parte nature. But there is a definite relation between potash and perfume.

Potash is bought and sold by the Armour fertilizer works, an auxiliary of Armour & Co. Potash is not a by-product of the packing business, but it is a logical business associate of fertilizer materials which come from the packing plants, and it is handled because we have the necessary marketing machinery and because trade requirements compel us to handle it if we expect success in marketing our own fertilizer materials.

Perfume, on the other hand, is manufactured and marketed by the Armour soap works, another auxiliary. Perfume is not a by-product of the packing business, but it is a necessary supplement to a line of toilet soaps, and our soap business would not meet with a great deal of success if we refused to handle perfumery. The manufacture of soap gives us an outlet for a great deal of the residue from the carcass of meat animals, and that is why we are in the soap business.

Potash, therefore, is the brother of packing-house fertilizer materials and perfume is the sister to toilet soaps. Inasmuch as fertilizer in the packing industry, potash becomes the

By a similar commercial relation a violin bow becomes cousin to the paper label on a tin can. We sell violin bows and we sell paper labels, and an ex parte investigation might fail to disclose the relation between the two, but there is a close relation for all that. Musical strings, as you probably know, are made largely from the intestines of animals. Our company was a pioneer in this country in the manufacture of such strings, and it thus became possible for us to market to advantage a by-product of meat animals, which formerly we had to waste or ship to Europe in the hope of selling to string manufacturers there. We now sell this product in foreign countries, which field was until recently covered by manufacturers in Germany and Austria. To make the story brief, the marketing of musical strings led us into the marketing of the logical associates of musical strings, and that is how we happen to have violin bows for sale.

In our business we have need for hundreds of millions of paper labels. In fact our need for them was so great that we entered into the business of printing them, and the Armour printing works became a department of our business. We made the works adequate to fill our own orders even at rush times, and so it became possible for us to sell labels to outside concerns during part of the year at least.

Coca-cola has been cited as one of the products which we handle and which seemingly has no connection whatever with our business. The fact is that the coca-cola people have developed a demand for their product, which is sufficiently strong to enable them to dispense with a distributive system of their own. I understand that they have no salesmen and that they do not ship direct to consumers. They handle their product entirely through jobbers or other agencies for distributing supplies. Our salesmen who call on the trade were asked by the trade to supply coca-cola, seeing that there were no coca-cola salesmen making the rounds, and so we became through our salesmen a distributor for the Coca-cola Co.

In a similar manner there is a definite and logical relation between the packing business and all of the so-called outside lines which we handle and for which some of our competitors would have us condemned. Our entering into these various lines has not been detrimental to the best interests of the great consuming public. On the contrary, the public has been tremendously benefited. The quality of goods has been higher and the price lower.

ADING THE GOVERNMENT.

Albumen.—The list of articles mentioned in the testimony of Chairman Colver, of the Federal Trade Commission, to show the scope of our "ramifications," as he puts it, is misleading in that no one of the various packing concerns handles all the articles listed. A comparison between our catalogue and that of a typical wholesale grocery or a mail-order house would show that our products come nearer being related than do those shown in the others.

Take, for instance, the second item in Mr. Colver's list—albumen. Albumen can be obtained from blood, and the Armour fertilizer works' chemists worked out a method for so doing. We were extracting a little albumen from animal blood when the war broke out. Now, one of the war's requisites is the airplane, and in the building

of airplanes a wood veneer is very generally used. It was essential that this veneer be glued on so that the dampness up in the clouds would not cause it to loosen and send our aviators hurling down to earth. It was found that a glue which is impervious to water could be made from albumen, such as we alone in this country were producing. We immediately increased our plant capacity and turned the product over to the Government, and airplane-production plans were not stayed by lack of this special kind of glue.

In May, 1917, at a meeting of the chemical committee of the National Council of Defense in Washington, it was developed that there was urgent need for potassium permanganate to be used in gas masks for the neutralization of toxic gases, and the chemical industry was asked to prepare quickly for the manufacture of this material as none was known to be made in the United States. The research laboratory of the Armour fertilizer works had developed a small plant for the manufacture of this material and the entire output of this plant was immediately turned over to the Government for war purposes. All our contracts with the trade were at once canceled. The price named to the company making the completed gas-neutralizing agent for the Government was one-half of the contract price at which the entire output had theretofore been sold by us. As long as permanganate was needed for this purpose it was supplied to the full capacity of the plant. Its manufacture was interfered with evidently by enemy agents and tanks full of solution were emptied into the sewers. An actual loss was incurred by the Armour fertilizer works in taking care of the needed demand.

I desire to incorporate into my statement here an editorial on this general subject which appeared in the January 6, 1919, issue of the Daily News of Chicago, which, as everybody knows, is regarded as reflecting public opinion in the Middle West, and which I value highly for that reason. The News says:

PACKERS IN OTHER FIELDS.

In explaining and advocating the administration bill, so-called, for licensing and regulating the transportation and marketing ends of the meat-packing industry, William B. Colver, chairman of the Federal Trade Commission, claimed to have obtained evidence that the big packers seek to control and dominate the grocery business. Already, he told the House Committee on Commerce, this domination ranges from 10 to 50 per cent.

Mr. Colver disclaimed opposition to "the mere size of an industry." He had no quarrel with the big packers, he asserted, just because they were successful or highly efficient. What he objected to was their desire to "ramify," to invade other fields "to the detriment of legitimate business." Such invasion, he said, should be checked by legislation. It is not illegal under existing law, but should be illegal, contends Mr. Colver, and this is in part the design of the extraordinary measure prepared by the Federal Trade Commission.

Mr. Colver has stated the case with commendable frankness and clearness. He must realize, however, that he seeks legislation of a novel and radical character. He wishes to protect legitimate business against invasion, but the invasion must be "detrimental" to warrant interference with. Detrimental to whom? All competition may be called invasion by those who happen to be in possession of a given field, yet the policy of the law is to encourage competition. Is a big and efficient competitor dangerous because he can establish branch houses, reduce prices, and otherwise accommodate the consuming public? Is it "detrimental" to the public to have branch houses, extensive delivery systems, reasonable prices? And if certain tendencies are detrimental to small business but beneficial to consumers, are the interests of the consumer to be sacrificed to those of small business?

Several years ago there was much agitation against the big department stores, and legislation was demanded to protect the small retail stores that had to compete with them. Who regrets to-day that the agitation failed and that the big department store was not taxed or regulated out of existence? Perhaps the case of the packers is different, but that remains to be proved to the satisfaction of sound economists and enlightened men generally. The questions raised by the antipackers' bill are so complicated and important that Congress will surely appreciate the necessity of hearing all sides and giving the subject full and scientific consideration.

Further along in my statement, when I discuss the refrigerator-car lines and branch houses, I intend to return to this subject of packer side lines and give further reasons why it is not only proper but of benefit to the consuming public and to the Nation's producers that organizations such as Armour & Co. should furnish the means for widespread marketing of products.

LIVE-STOCK CARS.

Getting down to the actual charges and recommendations of the Federal Trade Commission we find, first, that the Government ownership of live-stock cars is urged. This, says, Mr. Colver, chairman of the Federal Trade Commission, is the least important of the various provisions, but "since the theory we are proceeding on is that private ownership of means of transportation by competitors is perhaps the root of the difficulties," he recommends that these be Government or railroad owned.

Armour & Co. own no live-stock cars. One of our subsidiaries, New York Butchers' Dressed Meat Co., does not own but leases about 150 live-stock cars in order to enable it to successfully carry on the business of shipping cattle from the West to its abattoir situated in Greater New York. These cars are used entirely for the movement of live stock from Chicago to New York.

Our abattoir in New York is devoted exclusively to the slaughter of cattle for the Jewish trade of Greater New York. The committee may not perhaps be familiar with the fact that the orthodox Jewish trade requires what is known as "kosher" meat; that is, meat which has been slaughtered by a Jewish rabbi and which is identified by the kosher symbol. It is incumbent under the tenets of the orthodox Jewish religion that meat be eaten within 72 hours after slaughter: hence it can not be slaughtered at points distant from consumption, like Chicago, and transported to New York. This necessitates a slaughtering house at New York to furnish this large trade with fresh beef, and the company purchases its cattle at various markets and transports them to its slaughtering plant in Greater New York. On account of the fact that the eastern railroads have not a sufficient supply of live-stock cars, it was necessary to lease these cars in order that this company might be assured of an adequate supply of cars for the transportation of live animals to its plant. As a matter of fact, there are many times, even with the supply that is leased to us, when we have difficulty in securing sufficient live-stock cars of any kind. These cars leased by us for this purpose do not earn enough mileage to cover the rental we pay for them, and we would be pleased to be relieved of our contract for the use of these cars if we could be assured that we would be furnished an adequate supply

by the railroads. They are simply leased by us as a necessity, to take care of the supply of this plant in Greater New York.

We agree with Mr. Colver that this is the least important of the provisions of the bill, because it is the least destructive.

STOCKYARDS AND ADJUNCTS.

The second important provision of the pending legislation tends to bring about Government ownership of the stockyards and such adjuncts thereto as terminal and belt railways, exchange buildings, rendering plants, serum plants, market newspapers, possibly, if not probably, banks and cattle loan associations. The Federal Trade Commission chooses to regard packer interest in such institutions and enterprises as detrimental to the best interests of live-stock producers and the general public.

That is as far from the truth as it is possible to get.

The ex parte information gleaned by the Federal Trade Commission failed completely to develop the reasons for the meat packers being interested in these various enterprises, and left its members unaware of the fact that the meat packers are entitled largely to the credit for whatever measure of service these facilities render the producers.

Packing plants are the reason for stockyards, terminal railways, exchange buildings, stockyards, banks, cattle loan associations, market newspapers, etc., just as is water the reason for the grass and the trees in a desert oasis. Until there was water there was no grass, and some of the water had to be used in growing grass.

I do not know of any stockyards which were of any consequence or service to the producers until some important packer got interested and installed a plant. The minute a packing plant begins operating it means a real market for meat animals, and such a market demands that there be facilities for handling live stock. This has always meant the building of new yards or the expansion and improvement of existing ones. It has been the locating of new packing plants from time to time all over the country that has made stockyards necessary at those points. When you stop building packing plants there is a stoppage of new stockyards, and such a stoppage will be a serious blow to the live stock grower.

PACKERS MAKE MARKETS.

For example: At Fort Worth, before Armour & Co. and Swift & Co. went there the total receipts of the stockyards the previous year were less than 227,000 head of stock. Armour & Co. and Swift & Co. bought the yards and installed packing plants, and the market has now reached the point where the total annual receipts are 3,540,000 head of stock, nearly 1,600 per cent increase.

Senator GRONNA. I do not like to break in, but obviously it must have decreased in the localities where the stock was marketed before.

Mr. ARMOUR. Well, of course, the stock has increased greatly down in that country. That stock formerly went to other places, but now their shipments are nearer.

There are probably men in this room who can remember the day when you could go to Denver with a trainload of live stock and could not sell a carload. A larger packing house coming in there gave a market for live stock.

JACKSONVILLE (FLA.) STOCKYARDS.

It has been but a few years since Armour & Co. established a packing plant at Jacksonville, Fla., and in connection therewith a stockyards for the proper receipt and handling of cattle which might come to that market. Our attention was directed there in this way: In 1912 and 1913 when we had a cattle shortage in the United States we bought several thousand cattle in Georgia and Tennessee, and one day received a wire from Kissimmee, Fla., offering us 5,000 head of grass cattle. I did not know there was such a place, and at that time I doubt if anyone in the packing business dreamed that there were 5,000 cattle in the whole State of Florida that could be used for beef. We finally bought the cattle in question, which we shipped to St. Louis. This was our introduction to Florida. We later sent representatives through that territory and found prospects for beef production so good that we considered locating a plant there. Immediately that became known the prominent business men of Jacksonville extended to us the hand of welcome and urged upon us the erection of a plant at Jacksonville. There was at this time no hog business in Florida. The custom of buying live stock in Florida had been for the slaughterer to go into the country, make his purchases, contracting so many cattle for delivery on a certain day. Our experience had taught us that stockyards are necessary in a packing center to insure a regular supply of live stock for the plant and an every-day market for the growers of live stock.

We, therefore, decided to establish a small stockyards near our plant at Jacksonville. Before the plant was completed, another canvas of the situation showed a need for facilities for hog slaughtering and we established them. The first live stock were slaughtered in November, 1916. For several weeks the supply of hogs was far in excess of the supply of cattle, contrary to our expectations, but it was fortunate indeed that we had stockyards to yard and care for this flood of live stock which appeared on the scene. This plant and stockyards established by us in Jacksonville has opened up the live-stock business in Florida. The stockyards there are open to all—anyone can buy or sell stock there and there is plenty of room for anyone to go into the business if they care to. I think the establishment of such yards and plant at Jacksonville met with the general approval of the public and of the live-stock raisers in Florida especially.

Lest this committee get the impression from the pending legislation that packer ownership of stockyards does not meet public approval, I want to say this: There is hardly a city in the country to-day that would not welcome the establishment of such a market by Armour & Co., or any other of the large packers. We are constantly in receipt of proposals from bodies of representative citizens of various cities that we establish such yards and operate them. We are offered everything from free sites to large bonuses as induc-

ments to locate. One of the reasons we are now building a great plant at South St. Paul is that the city held out such allurements that we could not very well refuse, especially as the territory adjoining gives promise of being one of the best meat-production centers in the country.

OWNERSHIP OF STOCKYARDS AND ADJUNCTS IMMATERIAL.

My position relative to ownership of the stockyards is this: As a packer, I am interested in seeing the yards handled in the most efficient way possible and it is absolutely immaterial to me as to who owns them. Ownership by the Government implies red tape and restrictions which can not help but add to the costs of the service—costs which must eventually be borne either by the producer or the consumer. Government ownership implies, too, the abolition of the private initiative and enterprise which has made it possible to erect an efficient stockyards almost overnight when occasion justified it. The Government, you know, does not make up its mind very quickly on such matters as is evidenced by the years-old controversies over the building of post offices or such comparatively trivial matters as to whether or not cities should have underground-mail chutes. It is only because I fear less efficient operation and the consequent serious results that I make these comments, but I am entirely willing and ready to at once relinquish my holdings upon being allowed just compensation therefor.

My reasons for having interests in the adjuncts to stockyards are almost identical with my reasons for having invested in stockyards. I am frank to say that I hoped every time I made an investment of this nature that eventually it would pay, but the overwhelming and deciding reason was the effect it would have upon the business of meat packing—which is my job in life.

Terminal railways are adjuncts to stockyards and they aid in making them better able to function. Exchange buildings are also adjuncts—made necessary by the needs of commission men for offices and places to conduct the business of buying and selling meat animals. Some of our critics charge that our interests in stockyards and exchange buildings give us a club over the head of the commission man who must do our bidding or be relegated to undesirable offices in the exchange building or have distant and undesirable pens in the yards assigned to him. Such charges are utterly untrue and are too petty to deserve further comment.

MARKET NEWS ESSENTIAL.

Market dailies are necessary adjuncts to stockyards. The yard which does not have a paper carrying its live stock quotations and its market news to the producers for many miles around is doomed to failure. I am a believer in the power of advertising and a daily-market paper is the only means which will enable a market to compete with other markets drawing from the same or nearby sources and properly advertised. To-day we have a financial interest in but one paper—the stockyards market paper at Denver—and we will gladly dispose of it at any time. Our sole interest is that it develop

to the utmost its power to help make the Denver market bigger and better.

FINANCING CATTLEMEN.

Our interest in stockyards banks and cattle-loan associations is comparable to our interest in stockyards market papers. Cattlemen, like meat packers, operate largely on borrowed money, but individual cattlemen find it difficult to secure loans. It must not be forgotten that the center of the cattle-producing industry is well west of the Mississippi and that the center of the Nation's finances is a considerable distance east of that river. Eastern bankers do not take kindly to proposals from some remote ranchman of the far West that a loan of \$100,000 be made to enable the raising of cattle. Cattle-loan companies do not lend money. For a brokerage commission they discount and guarantee the note of the borrower and the note is then rediscounted in the financial centers of the East. If the rancher fails to get money he can not produce cattle, and if enough ranchers fail to produce cattle, think what a blow it would be to the meat-packing industry and to the Nation.

It is good business, therefore, for the meat packer to use his credit and his financial standing to make it possible for the far western rancher to get money from the far eastern banker. And we have done that very thing through the medium of stockyards banks and cattle-loan associations in which we have acquired interests.

That we have made a profit on the business thus transacted is beside the question. The only point that counts is that our interests in stockyards banks and cattle-loan associations are beneficial to the producers—in fact many of them have attained importance and grown prosperous on the money obtained by them from cattle-loan associations in which we have an interest.

RENDERING AND SERUM PLANTS.

Rendering plants, like the other adjuncts of the stockyards, are of benefit to the public. Except for them the farmer's dead stock would be worthless. The Federal Trade Commission decided at its *ex parte* investigation that our being engaged in the rendering business was not desirable. We deny that claim emphatically, but if it is thought the United States will prove better able to conduct the rendering business than the present management, we will cheerfully relinquish for just compensation our interests there just as in the case of stockyards—more so in fact, because in the case of rendering plants the packing industry has much less at stake than it has in seeing that the stockyards are kept in a state of efficiency.

Relative to the serum business, I believe there are 16 serum plants in the country and only 2 plants in which the packers are interested. We happened to be interested in a serum plant at Kansas City two and a half years ago when hog cholera was prevalent in the West, and at a time when there was not enough serum to meet the demand; nor was the serum then sold always of best quality. We entered this business with the knowledge that it is to the interest of our industry to help prevent epidemics among the farmers' live-stock herds.

EFFICIENCY THE ESSENTIAL.

In a general way, I want to answer those recommendations of the commission which seek to separate from the packing industry the stockyards and adjuncts thereto, with the assertion that Armour & Co.'s most ardent desire is that the various institutions and enterprises included be efficiently and successfully operated. If there is any way to relieve the packers of their interests without lessening the service rendered, we will readily find other and maybe more satisfactory ways to utilize the money so released. And let me say here, that our interests in these various auxiliaries of the live-stock industry do not consist of watered stock. An appraisal of the value of the stockyards at Omaha on orders from the Nebraska State Railways Commission discloses the fact that the property was actually worth more than its capital investment, and I am confident that other appraisals would disclose the same condition regarding the other stockyards and related industries.

REFRIGERATOR-CAR LINES.

It is proposed to constitute the ownership and operation of refrigerator and specially constructed cars for the transportation of live stock and its products exclusively a Government function. In support of this recommendation, Mr. Colver, in his testimony, states that the packer's ownership of refrigerator cars is a great advantage to them as against competitors who do now own such cars, that the ownership and operation of such cars is a railroad function, and that such equipment of cars or rolling stock necessary to transfer dressed beef is a transportation, not a packing operation. In this connection I should like to refer the committee to the full report and findings of the Interstate Commerce Commission, In the Matter of Private Cars, Docket 4906, dated July 31, 1918, after exhaustive examination for almost six years of the subject. I quote a brief part of that report. On page 672, the commission says:

The Congress has thus recognized the use of privately owned cars in transporting the commerce of the country and has provided for their control by the commission through rules and regulations of carriers hauling them.

For more than 30 years privately owned cars have been extensively used to transport commodities in interstate commerce. They came into use originally because the railroad would not, or did not, supply them in sufficient quantities to meet the demand. Practically all the carriers have refused to furnish tank cars for the transportation of oil and other liquids, or cars with brine tanks and racks for the transportation of carcass meat. There are certain exceptions to this rule, which will be considered later. Refiners of petroleum oils, with substantial unanimity, state that as a practical matter the carriers could not furnish the tank cars in a manner to insure their efficient use.

And, on page 673:

If private ownership or control of cars of particular types results in greater economy and more efficient use the whole public is to that extent benefited. * * *

In the beginning carriers could, not doubt, have insisted upon their right to furnish all the equipment. They did not do so, and, in the course of years, there has grown up a system of private ownership of such magnitude and importance that it must be reckoned with as an existing condition. * * *

On page 683:

The amount paid by the carriers for the use of tank cars or refrigerator cars does not permit of the operation of any of them at a profit considered reasonable by the owners, and has not during any time during the last six years, and some of them were and are operated at a loss, taking into account a return on the investment, cost of repairs, maintenance, and depreciation.

It is clearly established that shippers of petroleum oils, fresh meat, packing-house products, and dairy products could not have done the volume of business they have done in the past, or that their plants were constructed to do, except they had possessed themselves of private cars over which they could exercise, and have exercised, control. The refiner of oil or the meat packer could no more do business on an economical and efficient basis without his private cars than he could without his modern equipped refining or packing plant. The private-car part of the business has grown with the rest. Doubtless, in the beginning, demands were made by these shippers that carriers should supply tank and meat cars, but it was quickly demonstrated that business could not be done in the most effective manner were carriers to own or control cars of that kind. As a rule, carriers have never furnished these cars, and it has come to be mutually understood that they should not do so. The oil refiner and the meat packer demand an adequate supply of cars at all times. It is conceded by the shippers that neither an adequate supply nor its efficient distribution can be afforded by carriers. The requirement has been that there shall be the most efficient use of tank and refrigerator cars, which has been one of the results of private ownership. While this has absolutely been of benefit to carriers it has been of incalculable benefit to shippers as well.

I assume that this committee needs no information from me as to the necessity for there being always on hand and available sufficient refrigerator cars to handle supplies of fresh meat which go out from the packing plants everywhere and which can be kept in prime condition only a matter of a few days and then only at the price of continuous care and watchfulness. Fresh meat, you will bear in mind, must be sold within a week or 10 days after slaughter. Without refrigerator cars, the packing industry would revert to where it was two generations ago—a business of curing meat in the cold weather and delivering it smoked or pickled in the summer. Last week the Food Administration telephoned from Washington an order to the Chicago packers for 20,000,000 pounds of meat-food products for relief use in Europe. This vast quantity of meat required 660 refrigerator cars, which had to be loaded and on their way in 48 hours in order to make connections with outgoing steamers at New York. This is one of many like instances which have occurred since April, 1917, when we entered the war. What does the committee believe would have happened if in the case cited and many other instances the packers had not been fortified for such instantaneous service by control of their own refrigerator cars?

PRODUCT HIGHLY PERISHABLE.

The meat refrigerator car is different from the ordinary refrigerator car in that it is equipped with brine tanks and beef rails, from which latter the carcass beef is suspended in the cars.

It is necessary to have the brine tanks in these cars in which is placed crushed ice and salt in order to secure and maintain a low temperature in the cars, as fresh meat is of such a highly perishable nature that it requires a very low temperature to properly care for it.

The meat before loading is chilled in the cooling rooms of the plants and is loaded direct from the cooler into the refrigerator cars, which have been previously iced and reduced to a temperature sufficiently low to properly protect the shipments.

These food products are distributed to all points in the United States, and as they are perishable it is impossible to hold them at distributive centers for an indefinite length of time; therefore, the movement must be constant from points of production to points of consumption if the people are to be assured of fresh, wholesome meat products. In order to accomplish this, it is necessary to have an adequate supply of suitable refrigerator cars at all times.

It has always been our purpose to own only enough cars to handle our usual business requirements. It has been our effort to secure maximum service from a minimum number of cars. This, of course, contemplates prompt movement to packing centers of the cars either loaded or empty from the points to which shipped.

In testifying, Mr. Colver has called attention to delays encountered by certain packers in the handling by railroads of their cars and cited an instance of requiring six or nine months to make a round trip loaded and empty between St. Louis and New York. I am at a total loss to understand how this could occur if the shipper was attending to his business and making known his requirements. Mr. Colver also made the statement that the packer-owned refrigerator car moved at the rate of 84 miles a day, whereas refrigerator cars owned by railroads and supplied to a shipper who does not own cars moved at the rate of only 46 miles a day. If we are able to get 84 miles a day out of our cars, as opposed to 46 miles per day which railroads make with their own cars, this is an accomplishment for which we should be given credit rather than condemnation. It is certainly not the intention of Mr. Colver to advocate Government ownership of packers' cars in order to reduce their daily travel to that of some other shipper who is less diligent in seeing that his cars are moved promptly. If any such discrimination exists, it could be amply remedied through the railroad handling such cars.

NO DISCRIMINATION.

With respect to similar discrimination alleged to have been practiced against certain shippers on the movement of their own cars, the Interstate Commerce Commission, In the Matter of Private Cars, Docket 4906, commented as follows:

The obligation to treat each shipper fairly no matter how small his shipments may be in comparison with those of another shipper, is one carriers can not escape. Whether under the terms of the act the carriers have been guilty of unjust discrimination in the cases referred to, can not be determined on this record. The duty imposed on the carrier by law is to give equal treatment to all shippers who are in position to demand it. Where the same carrier or carriers serve two shippers, who by their location, the character of their output, and distance from markets where their products must be disposed of, are in substantially similar circumstances and conditions, the serving carrier or carriers can not lawfully prefer one to the other in any manner whatsoever.

Meat packers everywhere are under compulsion, if they are to ship carcass meat, to supply themselves with cars and carriers transport them under arrangements with the shippers. If the carriers were required to publish in their tariffs a rule to the effect that private cars when unloaded at destination, unless otherwise ordered by the owner or lessee, will be promptly transported, loaded or empty, in the direction of the plant of the owner or lessee doubtless much of the apparent injustice hereinbefore referred to would be avoided. A rule similar in terms to that suggested was applied by carriers with respect to foreign cars on their lines previous to April, 1917, but it was not applicable to private cars.

Shippers of oil in tank cars are required to furnish the cars, and many shippers of perishable products other than fresh meat find it necessary to own or control cars because they can not in any other manner secure an adequate supply. The suggested rule should apply to all private cars in order to prevent discrimination, and to secure owners such use of their cars as their necessities may require.

In respect to the suggestion that beef cars belonging to certain shippers were used for onions, we are not surprised as our equipment is often misused and we find it necessary to keep close check in order to prevent such abuse and maintain the car supply necessary for protection of our shipments; and it is to be attributed to our diligence in this respect and not to favoritism by the carrier that the mileage of our cars aggregates per day what it does. As was said by the Interstate Commerce Commission, in their opinion In the Matter of Private Cars heretofore referred to:

No class of cars in railroad service is used more effectively than cars owned by the large shippers. They have an organization of men to see to it that their cars move as promptly as possible both loaded and empty.

The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done, by the intervention of private owners.

I wish to say that Armour & Co. operate refrigerator cars as a business necessity and not as a profit-seeking venture. Our income from cars is 1 cent per mile per car and it is absolutely immaterial whether our goods are being transported in our cars or not, the rate is the same; likewise there is the same freight rate whether the shipment is in our own cars or not and the rate is identical with that paid by other shippers whether they have cars of their own or whether they use cars supplied to them by the railroads.

CARS LOSE MONEY.

Armour & Co. have for the last six years sustained a loss in the operation of their meat cars. For the past 13 years the packing-house cars show an average profit of twenty-nine one-hundredths of 1 per cent and for the past six years they show an average loss of 3.58 per cent. For the year ending November 2, 1918, our meat refrigerator cars lost \$395,953.72.

They are not a profitable investment but are an essential and necessary one in the operation of the business. In this connection, I may say that all private cars are subject to the jurisdiction of the Interstate Commerce Commission, both with respect to their methods of operation, practices pertaining to them, and compensation to be paid by carriers for their use. This is shown clearly by amendment to section 1 of the act to regulate commerce, approved May 29, 1917, which is as follows:

The commission shall, after hearing on a complaint or on its own initiative without complaint, establish reasonable rules, regulations and practices with respect to car service, including the classification of cars, compensation to be paid for the use of any car not owned by any such common carriers, and the penalties or other sanctions for nonobservance of such rules.

These cars are and have been, of course, for some time, subject to acquisition and control by the Federal Railroad Administration under the act of Congress for the acquisition and operation by the Government of railroads during the period of war, but by decision of that administration that control was not assumed.

PEDDLER CARS NOT PEDDLERS.

In connection with operation of the refrigerator cars, there has been some comment as to the route car or as designated by Mr. Colver the "peddler" car. I should like to say a word about this. The route car is one of the means by which meat is distributed to those towns not large enough to maintain a branch house or distributing agency or even to enable the retailer to order his meats in carload lots. The accusation is that the cars are used to "peddle" meats and thus hurt the business of the local butchers. It is not true that this is a peddling proposition. These cars are certainly of great advantage and benefit to the local butchers as well as the consumers, and were brought into existence to meet the present requirements of the community at large, and can not fairly be considered as an advantage to the packers so much as an advantage to the people.

If the community were sufficiently large, carload lots could be shipped to these various points to much greater advantage to the packer and at a considerable less expense. But the demand in the small place is as urgent as it is limited; the retailers and the consumers there must have fresh meats, but they can not take them in large shipments, therefore, the route car is indispensable to the people of the small towns.

It is far more expensive to ship in this way than to ship by full carload. Every time one of these cars is cut out of a train and put on a siding the packer must pay from \$3 to \$5 in addition to all the other transportation charges, and a car makes many such stops in the course of covering the route of small towns.

The question might be asked: Why not ship by local freight? Because meat would not arrive in good condition. Another reason for not shipping by local freight is that no dependence can be placed upon the arrival of meat thus shipped at a certain destination at any specific time. In short, this way is too slow and too unreliable for the transportation of fresh meats and meat products.

The car-route salesman visits all the towns along his route and takes orders for shipments to be made on a specific day, stipulating that the car shall arrive at each place at a certain day and hour—to be met by the wagons of the retailers of that town. This method of delivery is carried out regularly once or twice a week as occasion demands, insuring the consumer the delivery of his meats in the very best condition.

We do not sell to consumers, but reach them through the meat dealers in the various towns, and our method of putting the meats in their hands enables them to get a fresh supply at very short notice, which could not be done without the route car.

CARS MUST BE AVAILABLE.

I could see no particular objection to the refrigerator and other specially constructed cars for the handling of live stock and their products being owned and operated by the Government or railroads, provided the packing plants were at all times insured an adequate supply of cars and prompt handling therein of their products. If cars are not available at all times and in sufficient numbers, we shall perforce be compelled to suspend or reduce the purchase and slaugh-

tering of meat animals, and that will result in losses to the producer and shortage and higher prices to the consumer. The thought occurs, Can an adequate supply be furnished by any agency other than the packers themselves? I may again refer you to the Interstate Commerce Commission in its decision In the Matter of Private Cars, Docket 4906. They say:

The packers who are the largest users of refrigerator cars, including meat cars, state that they are perfectly willing that carriers should own all cars used by them, "provided they are insured at all times an adequate supply."

The proviso qualifies their acceptance of the principle to the extent of practically nullifying it. If all cars were owned and furnished by carriers in times of shortage the packers as well as other shippers of like traffic would be entitled to no more than their fair share of all cars available. No class of cars in railroad service is used more effectively than the cars owned by large shippers. * * * The carriers of the country could not as effectively handle the entire refrigerator and tank-car equipment as is now done by the intervention of private owners.

Armour & Co. at present have only sufficient cars to supply our requirements and it is only by exercising the greatest care and vigilance that we get the maximum service out of the minimum number of cars. We do not invest in these cars, which are very expensive and not profitable, unless the business requires it; hence we do not build or acquire cars beyond our need. To take these cars and distribute them amongst others would be no advantage to anyone, as Armour & Co. have only such number as we need, and if taken away from us naturally our business must be decreased to that extent. If it is thought advisable that the Government should furnish refrigerator cars, acquire or operate them for the benefit of anybody in the packing business, the solution would most naturally be to acquire and construct new and additional cars, renting or leasing them to such shippers as desire, including ourselves, and not to take away cars from those needing them and already using them to the best advantage.

SUPERIOR SERVICE NO CRIME.

If we are at fault for having speedier service than the small competitor has, then the grocer who has a motor delivery truck is taking an unfair advantage of his competitor who sticks to the horse-drawn vehicle.

If Chairman Colver reflects the attitude of the Federal Trade Commission in giving the impression that our superior service is an unfair advantage over our competitors, then how will there ever be progress to the advantage of the general public?

The refrigerator cars are the trunk and branches of the tree which represents the fresh-meat business. We could no more engage to deliver fresh meat at all times and all seasons without a full and continuous supply of refrigerator cars than could the leaves of the tree live separate from the branches.

And the fresh-meat business is to the food-purveying business just what the news is to a daily paper. The ability to print the day's happenings is what gives a newspaper circulation and standing, but it is the advertisements which pay the bills. It is possible for the novice to think of a paper prospering without any revenue from advertising, and I understand that some have disastrously tried the experiment. The head of the Federal Trade Commission will tell you if you ask

him that the successful newspaper of this day and age is one which is able to fill about 60 per cent of its columns with paid advertisements and which seeks to make itself more attractive to prospective buyers by adding to its news such outside lines as are usually found in fiction magazines, children's books, cook books, and physical-culture treatises, not to mention the numerous other things that the daily press supplies us with over and above the day's news.

The fresh-meat trade is the "news" of the packing industry as it is constituted to-day. The by-products and some of the side lines are the advertisements which pay the bills, and the rest of the side lines are the "features" which help make our service more attractive to customers.

That is why we are competing with the wholesale grocers in the handling of some food products which seem unrelated to the business of meat packing.

It is not true that our competition is unfair to the grocers; it is not true that our engaging in outside lines is detrimental to the interests of either the producing or the consuming public. Chairman Colver's testimony again furnishes the answer to the charge. His statements reveal the fact that in some lines we can undersell many of the wholesale grocers. I have no doubt that he is in possession of facts showing that we generally pay the producers more than do many of our competitors.

Relative to this matter of engaging in side lines, I call your attention to the statement by the chairman of the Federal Trade Commission wherein he said:

The wholesale grocers' profit comes from his numerous turnovers which the handling of a large number of commodities makes possible. If a wholesale grocer had only one line, a larger margin of profit would more often be necessary to net him the same amount of money that he makes at present.

I desire to adopt this statement as additional justification for our being engaged in various lines. Just to show the extent to which wholesale grocers have gone in for what some may call unrelated lines: My attention has been called to a bill of goods which Armour & Co. bought recently from a wholesale grocer. It contained more than 40 items, and not a single one of them could be used for food—except by an ostrich.

NO CONTROL OF GROCERIES.

The sponsors of the pending legislation will hardly take that position, but they do say that we are putting the little fellow out of business, and that eventually we will dominate the trade. In fact, the Federal Trade Commission has charged us with dominating many of these outside food lines right now. I have taken pains to find just what our business in these particular grocery lines amounts to, and the facts do not accord with the charges. Armour & Co.'s total business in these lines represents only 4.6 per cent of our general business, and a large part of this 4.6 per cent is for items which we have exported to the remote corners of the earth, and no part of such shipments could possibly come within the territory served by the wholesale grocers. It is by reason of our world-wide organization that we are able to do this, and thereby correspondingly increase the foreign trade of this country.

It is important that your committee be advised that we do not own and have no interest, direct or indirect, either as a corporation or as individuals, in the canneries which pack salmon, tuna, or other fish, and vegetables. The products of these lines which we handle are put up according to our order and specifications by independent firms from whom we purchase them as do jobbers. It will interest producers to know that in order to help the fruit growers of California to get more for their products without it costing the consumer more, we have under consideration a plan to aid them to finance a cooperative fruit-packing plant of their own. We expect to do the distributing for them. We own two grape juice factories and two other plants which preserve fruits for the soda-fountain trade.

We are not engaged in the retail business and we have no intention of adding the woes of retailing to the burdens of manufacturing and distributing.

If we are to be criticized for cataloguing and selling a very limited number of food lines not directly produced from live stock, what shall be said of the great catalogue houses, wholesale and retail dry goods and department stores. The catalogues of some of these cover practically every item in use by man or consumed by man or beast.

Complaint is made to you that we can ship more cheaply because our multiplicity of products makes it possible for us to utilize full cars, and that we benefit by getting the comparatively smaller tariff which railroads charge for such shipments. The full-car rate is no less to us than it is all other shippers. Shippers in every department of industry enjoy the same right.

PACKER BRANCH HOUSES.

The fourth general recommendation of the Federal Trade Commission aims at the segregation from the packing industry of cold-storage warehouses and marketing facilities, such as branch houses.

The theory of this proposed legislation, as stated by Mr. Colver, is that at the end of the transportation of fresh meat, proper freight houses should be provided for its receipt and care, just as proper freight houses are prepared for the receipt and care of other merchandise, and that such freight houses should be open to all on equal terms.

This is in itself a statement of a principle which one perhaps might not disagree with, but the deduction he draws from this is that branch houses established by packers are mere freight houses, and should be so acquired or licensed for the purpose of being generally freight houses for the receipt of fresh beef from all shippers on equal terms.

The premises on which Mr. Colver proceeds are altogether inaccurate. The packers' branch houses are not freight houses for the receipt and storage of fresh meat at all. They are both marketing and manufacturing facilities. Armour & Co. operate 351 branch houses, each one maintained for the express purpose of so distributing their products, the greater percentage of which are highly perishable, in such prompt and expeditious manner as will insure their reaching the trade and the consumer in the best possible condition. Upwards of half these branches are equipped with refrigerating ma-

chinery, and 40 per cent of them located in larger centers, have within themselves and exercise the facilities for turning raw material into finished product, smoking meats, boiling hams, and manufacturing sausage to the extent of millions of pounds weekly. This is necessitated by trade requirements and in order that we may be on an equal footing with local packers operating killing establishments. These are the primary purposes of branch houses. They are equipped with coolers, because that is necessary to preserve the meat-pending sale, but their chief functions are manufacturing and selling. The coolers in most of the branch houses are large enough only to accommodate one or perhaps two carloads of fresh meat, so that they could not be considered in any sense freight houses which imply a large storage capacity. They carry only sufficient cooler space for the needs of their marketing business in the locality where they are located, and the turnover is usually every week or every two weeks at the most. Fresh meat must be disposed of while in a fresh condition.

In a great many of the cities where we are represented, aside from the fact of having competition among branch houses, there are commission merchants who have the necessary facilities and who handle products for anyone who desires to ship. Any packer who desires to find an outlet for his product may use a commission firm or himself establish a branch house. There is nothing to restrict him from so doing at any point on the map where he desires to locate.

While we are on this subject of branch houses, let me say that they are very generally regarded as of great benefit to the communities in which they are located. Their value to a city is such that if we were to consider closing one of them the chamber of commerce or other representative bodies of the place affected would take steps at once to prevent us doing so.

COLD STORAGE.

There is a market distinction between a branch house or distributing station and a cold-storage warehouse. The live-stock end of this business is seasonal; in other words, there are certain seasons of the year when we have a much larger movement of live animals to market than the distributive facilities can take care of in produce, or the market itself can absorb.

It is our purpose, and I believe the purpose of all packers, to slaughter their purchases from day to day and clean up their live stock at the end of the week. It is necessary in the handling of this product to have a certain amount of cold storage at the slaughtering plants; it is necessary to provide cold storage for the product in transit which is done by means of the refrigerator car and, further, it is necessary to provide a limited amount of cold storage at the distributing markets which is done at the branch house.

Cold-storage plants are necessary in the handling of perishable products. We own but an infinitesimal proportion of the cold-storage capacity of the country. Armour & Co. have only sufficient for their own needs. Frequently we have to go out and rent cold-storage space in public cold-storage warehouses.

MARKETING PROBLEM SOLVED.

The whole question of marketing is most important. Too few people realize how essential is the business of distribution. People are quick to see the need for adequate production, but slow to understand that no amount of production would be adequate unless there are adequate facilities for distribution. A mountain of food is worthless 100 miles away from starving people—unless there exists the facilities for getting the food to the people or the people to the food.

The function of Armour & Co. is to collect the stores of food, make it edible, and take it to the consuming center. Unless that work is done and done well, it is fatal to the producer and consumer alike.

But our conception of duty to the producer and consumer is broader than that of a mere middleman. It is of benefit to the producer that we develop markets and help create demand for his products. When there is an overproduction of some commodity, the producer faces ruin, unless the demand for that particular commodity can be stimulated to a point which will make it possible for him to dispose of his supply without undue loss. The consumer might benefit for a time if a glutted market sent prices down, but he would suffer the following season by reason of the reduced production resulting from the losses occasioned by the glut.

FIND DISTANT BUYERS.

A country agent from down in Illinois somewhere lost his antagonism toward the packers one day when he was struck by the full force and effect of a little statement that "the big packer connects the stock raiser in Grundy County with the market in China." Just what it meant to the producer to have an agent who would find a market for his product, even if that market was hidden away in the Orient, had never received this country agent's attention before.

I do not know who is going to take care of this most important function of market finding if the big packers are crippled as some of our critics counsel. It is one of the justifications of our size and the completeness of our organization that we are able to extend this service of market finding to the producer.

We perform a similar important service for the consumer—that of furnishing him with alternatives whenever a commodity becomes scarce or so high in price as to cause concern.

DISTRIBUTING RICE.

The rice situation, which has been referred to by Mr. Colver before a congressional committee, furnishes a concrete example of this very service. You will recall that there was a potato shortage several years ago and prices became prohibitive to many people. There was a demand for something to take the place of potatoes, and those who are informed on food matters recommended rice. Rice, however, had no adequate national distribution. There were no standards which prevailed all over the country, and no particular effort had been directed toward creating a demand for it. Many of the rice

growers of the South struggled along for years and made little or no profit from their labor.

Armour & Co.'s distributive organization offered a ready means for making rice available everywhere and so helping to relieve the potato shortage. We went into the rice business as a public necessity, as well as for business reasons, and, if it be true, as has been said by Mr. Colver, that we are to-day the largest handlers of rice, it is due entirely to the fact that we had the proper distributive vehicle available for the emergency, and not due to any particular planning or any genius on our part.

The rice growers of Texas, Louisiana, and the Carolinas can readily attest the value to their industry of having our distributive machine at their disposal. They are producing more than formerly and being adequately paid for their labor.

That rice advanced in price coincident to our handling it was due entirely to the general advance in price at that time of all competitive food products and to the introduction of new standards and the tremendously increased demands, and not in any way to manipulation of any kind.

THE CHARGE THAT THERE IS A MEAT COMBINATION.

It would seem that the pending legislation aims largely to correct alleged abuses set forth in the report of the Federal Trade Commission, Part II, pages 26 and 27. The allegations made there assume that there is a meat combination and so-called specific instances are given to show how it works.

I wish to single out here and explain one of the letters found in our files and cited by the Federal Trade Commission to clinch its contention that there is in existence an agreement as to division of purchases of live-stock receipts. I refer to the much-talked-of "50-50" letter written to me by my nephew, Philip D. Armour. That letter was in the nature of a report on the conditions which Philip found on the occasion of his first visit to Denver. Its import can not be properly understood without more complete knowledge than can be obtained from the words in the letter which said "everything here is on a 50-50 basis." Let me give all the facts, and this is the first chance I have had to do so. And what I say here by way of denial to this particular charge applies equally to every other similar case referred to by the commission. But to answer in detail every such charge would fill volumes.

Both the present-day Armour and Swift plants at Denver were once the property of the National Packing Co., which was the outgrowth in 1903 of a proposed amalgamation and absorption of a number of small plants purchased by the big packers at that time and which was to have been underwritten by a group of New York bankers who undertook the enterprise. By and by, on account of the financial stringency that came over the country in 1904, these bankers decided to withdraw from the undertaking. Some of the largest of the packers, including our company, in order to save their investment, were compelled to take over these smaller plants and they were put into a separate corporation—the National Packing Co.

During the life of the National Packing Co. its two plants at Denver were so conducted that each had approximately half of the

business. In July, 1912, the laws regarding corporations and trusts were so interpreted as to make it necessary for the various packers to discontinue the joint ownership of the National and so the concern was voluntarily dissolved and its component parts were distributed among the owners, with the knowledge and approval of the Government. The holdings at Denver were divided thus: Bonds on the stockyards to Morris & Co., common stock of the yards equally between Armour and Swift, and the two plants, one to Armour and the other to Swift.

When we thus became owners of the plant at Denver it was doing approximately half of the business done at that packing center. We determined not to lose any of that business to Swift, our competitor. It was not our intention then, nor is it now, to let any of our competitors get any of our business away from us.

Swift, however, evidently decided to get some of our business, for before long certain improvements and enlargements were made in the Swift plant, and when Philip Armour made his first visit there he found that our plant was not in position to long hold its own. So he wrote me as follows:

DENVER, October 19, 1915.

Mr. J. O. ARMOUR,
Care Armour & Co., Chicago, Ill.

MY DEAR UNCLE OGDEN: Just a line to tell you that Tom and I arrived here from Fort Worth and had a very pleasant trip.

I can not tell you how surprised I was in going over the plant here. Of all the plants we have, this one certainly needs our first attention. In my opinion the best part of it is as bad as the worst part of any of our other plants. Swift's plant, from what I hear and from what little I saw of it, is far ahead of ours, both as to size and condition. Of course, as you know, everything here is done on a 50-50 basis, and with the facilities we have it is almost impossible to keep up this ratio.

The force here seems to be very competent. Mr. Gebhard has been extremely nice to us. The two branch houses here are in very good shape, but, of course, the Armour & Co. branch is in a very bad location. However, they are doing well. They have had a very good result for this year up to the present time. This is not quite right. (See below.) The country out here looks exceptionally good, and from what I can find out things are starting to boom. There isn't much news outside of this.

I am leaving here to-morrow for Kansas City, and will be home at the end of the week. We have had a fine trip in every way, but I feel as if I had left Chicago about three months ago.

Hope you are well and that everything is going all right. Tom joins me in kindest regards.

Very sincerely, yours,

P. D. A.

Cpl. P. & P. Co. branch way behind, but changes go into effect November 1, which will help it out a great deal.

As a result of his report I wrote to A. W. Armour, who is a vice president of our company, and whose duty it is to pass on such matters as plant improvements:

OCTOBER 22, 1915.

MY DEAR WATSON: I think Phillip is right about this. That plant out there needs our first attention. The country is a growing one out there, and we want to have facilities to do business.

J. O. ARMOUR

His reply follows:

OCTOBER 23, 1915.

Mr. J. OGDEN ARMOUR: Referring to the attached, I think we have realized the bad condition of our Colorado Packing Co. plant ever since it was purchased. Mr. Connors called to my attention that he did not feel the physical condition of this plant at the time we took it from the National was as good as the one Swift's got. We took it on account of Mr. Gebhard. The plans for this building are out, and we ought to be able to close the contract the first of next week or in 10 days.

A. W. ARMOUR.

Knowing these circumstances, I can not believe anyone is so blind as to regard Phil Armour's "50-50" letter as indicating any agreement. The very fact that the Swifts were improving and enlarging their plant and trying to increase their output is positive demonstration in itself of an attempt on their part to get some of our business away from us, and this we resisted, as we think every enterprising and successful merchant would do. We then proposed and still propose to maintain and increase, if possible, our hard-fought-for and established trade.

ANSWER TO COLLUSION CHARGES.

The Federal Trade Commission report says that the five companies in question act collusively through their buyers in the purchase of live stock and that they control the market through such practices as "split shipments," "part purchases," "wiring on," "making," and "late buying."

"Split shipments" are nothing more nor less than divisions of herds which may be owned by one man or shipped by one man acting for a number of them and sent to two or more different markets. Many such "split shipments" are divided between Omaha, Nebr., and St. Joseph, Mo., two markets which are less than 200 miles apart, and when a portion of such a shipment arrives at Omaha and our buyers there have knowledge of it, it is but natural and proper that they wish to know how their bid compares with the price paid for the other portion of the shipment in St. Joseph.

It is untrue that there is any effort to prevent the shipper from getting a higher price at one market than he gets at the other. It is true, however, that if the buyer at Omaha should get the cattle for \$13 a hundredweight while the man at St. Joseph paid \$13.10, their boss would want to know how his buyers came to differ so much as to the value of the animals. Likewise the comparing of notes here results in a closer standardization of grades. If the man at Omaha calls them "good" and the men at St. Joseph regards them as "prime," there is nothing wrong with the judgment of one of them, and only the dressing percentages will decide the true grading. It is to the benefit of the growers that a good steer in one market will be rated as a good steer in another, and "split shipments" furnish one of the best ways to keep our buyers on their toes and their judgment keen.

Another element enters into "split shipments." It is a fact that every market center is in competition with others and each market is desirous of attracting to itself as big a supply as is possible. In

the case which I have just cited, the difference in the price obtained at the two markets would undoubtedly result in the owner sending his future shipments to St. Joseph, and Omaha would be the loser thereby. The selfish interest of each market, therefore, is to keep informed as to prices paid in other markets so that the different markets will not lose their patrons.

As to "part purchases." They are not indicative of that which the Federal Trade Commission would have one believe. Ofttimes a shipment of cattle is divided among several pens and a buyer will frequently purchase one or two pens without any consideration whatever as to the existence of more pens of the same lot. If the remaining pens then are bought by some other packer buyer, it is no indication of collusion even though the same price may be paid. The charge fails to take into consideration the fact that the commission man is a factor in fixing the price and that if he sells part of his shipment to Armour at a figure which he regards as satisfactory he will not take less from any other packer unless he has to.

The practice of "wiring on" is a "bugaboo." It is true that very often one of our markets will wire another something to this effect:

John Jones shipping a carload of cattle to your market. We bid 13. Would like to know what they bring.

That does not mean that our buyer will go out and punish John Jones by bidding lower than the \$13 per hundredweight first offered him. I know of instances where our second buyer has bid a price which justified John Jones in shipping on, and it is not infrequent for our head buyer to chide the first one for his poor judgment regarding the worth of the animals. "Wiring on" is designed to enable buyers to confirm their judgment or to help them improve it. If our buyer in Kansas City exercises such poor judgment that cattle are constantly being shipped to Chicago and there bringing higher prices, it is evident that the Kansas City buyer has faulty judgment and that he ought to be given other work or put on the pension roll. That is the reason why we "wire on," and it is not detrimental in anyway to the best interests of the producer.

As to "making" and "late buying," let me say this. Armour & Co. have a live-stock policy which is pulsed and governed from Chicago and which applies to all our plants, but we have no connection with competitors in this respect. Some days we do not go out very early because the run of stock may be late getting in; for example, if the run is posted for 20,000 and it is apparent that there are only 3,000 unloaded and ready to be offered for sale and we do not particularly need cattle at an early hour that day, it is natural, and a matter of common sense, that we delay going out into the pens until such time as a better selection awaits us. We have no monopoly on good judgment and it is not surprising that under such circumstances the buyers for the other firms would also remain off the market until the run gets in.

"PERCENTAGE" PURCHASES.

The anchor to which all these charges and those of a similar nature are fastened is a chart showing that the five big packers purchase at the leading markets each year percentages of the receipts which are

almost identical year in and year out. That I do not deny the approximate result of this chart of percentages must not be taken to mean that I admit the truth of the conclusions which the Federal Trade Commission has mistakenly drawn therefrom. Those percentages are what experience over a period of many years has demonstrated as the portion of the receipts we must have if we are to maintain our standing and position in the industry and not fall to the rear.

I may say to you that no one eyes the figure which represents Armour's requirements more closely than do the men who are charged with the success or failure of our business. If the figure falls, it would indicate that we were "slipping," to use a slang expression, and you can rest assured that some one would be called on the carpet to explain why. Expressed in percentages, it takes many thousand cattle to affect the figures in the Federal Trade Commission's chart and there can be a wide divergence in the buys without it becoming apparent; for example, we purchased 87,000 fewer cattle, valued at \$11,000,000, during the last year than the commission's percentage table shows we were entitled to; in other words, we lost some ground to our competitors during that period. It is not our wish to lose ground and some rather convincing explanations from the beef department had to be forthcoming. We found that our plant expansions, great as they had been, were insufficient to enable us to keep up with the increased volume and so some of our competitors got some of the business that we think we should have retained. I rather suspect that some one or other of our competitors is looking upon his figures in this particular phase of the business with considerable satisfaction, and I know that we would be very much inclined to regard with favor a request for an increase in salary from some employee who could show that he had increased our business.

WATCHING COMPETITORS.

In order to keep abreast of our needs and satisfy our business ambition it is incumbent upon us to keep in closest possible touch with all market conditions and with the operations of all our competitors. Our own men get the live-stock purchases at the various stockyards, and we know at the close of the day whether we have bought as many or more cattle than each of our principal competitors. If our program for the day was to buy light we expect our buyers to come in light, but just the same we want to know what our competitors bought, to see whether they took the same view of market conditions as we did; in other words, to confirm our judgment. If we see that they are running heavy in their purchases while we are running light, we know there is poor judgment somewhere, either with them or with us, and that one of us is not pulsing the market correctly. If our place and rank in the trade is at a certain point, while that of one of our competitors is at a certain point below us, we watch him to see that he does not close up the gap and gain on us, and no doubt he watches us to see that we do not get far away from him. Everyone is jealous of his volume, and that accounts for the fact that at the end of the year the proportion of live stock is found to have been divided so uniformly. In every competitive industry the same watchfulness

exists. In the race for success this is no more and no less than vigilant and determined business rivalry.

A fact which the Federal Trade Commission glances over all too hurriedly is that our vigorous determination to do what we consider our hard-fought-for and long-established share of the business is a benefit to the producer at such times as there is an oversupply on the market. I quote from Part II of the report of the Federal Trade Commission on the meat-packing industry, page 46:

In order to enjoy the advantage of a quota on a short market each packer is expected by the other to support an oversupplied market—that is, each is required to take his proportionate share, whether he needs it or not, and so share in the burden.

The commission does not give the true reasons which cause us to support the market. I have shown above what they are.

SELLING COMPETITION.

The same summary of the Federal Trade Commission charges practices in the selling end of the business which are comparable to those alleged in the buying end.

The whole case of the Federal Trade Commission seems based on certain isolated letters found in our files and which unexplained pretendedly fit in with their theory. I call your attention to the fact that we employ upwards of 60,000 persons, and it would be surprising, indeed, if there were not in existence letters written by various of our energetic and ambitious men in more or less important positions which might seem to lend color to any prejudged theory which the "hungry for discovery" Trade Commission's examiners were trying to prove. The Federal Trade Commission has seized upon correspondence between a man in our head office and the superintendent of one of our branches, and by that correspondence it has built up an indictment charging collusion. I read at random from page 36 in the Summary of the Report of the Federal Trade Commission on the Meat Packing Industry:

It is certain that by no means all the agreements in effect between the big packers came to the attention of the commission. Thus, for example, we have evidence of an agreement on lard compound, which was made at the time the commission's investigation was being vigorously pressed and came to light only by chance.

Letter, Armour & Co. to H. G. Sharpnack (Armour's branch-house superintendent at Pittsburgh), dated January 24, 1918:

"It's always been our understanding that if our organization had the same price as the other fellow, that's all they need. This is certainly a fact on substitute since January 14, and we will be very much surprised if your territory does not triple its business each month. We do not recall having such an opportunity in the history of the firm, and if this practice is maintained, it's a pretty safe bet we will get our share."

This was followed on January 28, 1918, by a circular from H. G. Sharpnack to all managers, giving the following instructions:

Please give this compound all attention possible. Everybody's price must be the same as yours. If you find any deviation make doubly sure that you are right by seeing the bill, noting the date of same, quantity sold, and the price, and let me have it.

This so pleased Armour & Co. that on January 30, 1918, L. L. Whelen, of Armour's lard department, wrote Sharpnack:

Very glad to note your cooperation on White Cloud, as per your circular to houses dated the 28th. In this connection, however, it occurs to us that we should not make any noise about competitor's prices being identical, etc. Under present conditions this is not advisable, as you are undoubtedly aware. Also, you might destroy this letter on the subject.

Evidence of other agreements might be quoted at length, and they will appear in the report. The quotations already made would seem to answer affirmatively the president's question:

Are there manipulations, control, trusts, combinations, conspiracies, or restraints of trade out of harmony with the law or the public interest?

We will not elaborate on the fact that these agreements, combinations, and pools are continuing conspiracies. So far as the meat pools are concerned, this proved not only by the present continuance of the agreed-upon divisions of live-stock purchases, but by letters of recent date.

In the case of the agreements and conspiracies regarding cheese and lard substitutes, the evidence presented relates entirely to matters which have occurred within the last two years and which there is no reason to believe have been changed by later events.

The fact of the matter is that the price referred to in this correspondence was one which was reached at the express request of and in cooperation with the Food Administration. This is a fact which could very easily have been developed by the Federal Trade Commission if it had made any effort to do so or had given us an opportunity to explain the correspondence in question. And this acutely illustrates what I mean when I say the work of the commission has been ex parte and no chance given us to be heard or even to explain. Because of such untrue charges widely and repeatedly given to the public, we have suffered grave and serious injustice and irreparable injury.

These prices resulted from the efforts of the cottonseed division of the Food Administration to stabilize the cottonseed industry. It developed after considerable effort and investigation that the maximum result in the crushing facilities of the country could only be obtained by the stabilization of not only the raw material, but also of all the manufactured by-products of cotton seed.

Cottonseed oil is used in the manufacture of lard substitutes, which is one of the by-products of cotton seed and the most valuable of its ingredients.

The manufacturers of lard substitutes were called to Washington about the middle of October, 1917, where a conference was held with the Food Administration. The representative of the Food Administration requested the cooperation of these manufacturers to facilitate the stabilization of the cottonseed industry. At an adjourned meeting it was pointed out that this could only be accomplished as a war necessity and under the supervision of the Food Administration. The matter was taken under advisement, and the manufacturers were again called to Washington about the middle of November. A plan was outlined for stabilizing the refined oil and lard substitute branches of the industry which contemplated a fixed price for the lard substitutes at a fixed differential over and above the cost of the raw material. This was finally approved by the Food Administration, and a meeting was held in Chicago, under date of December 12,

1917, between the representatives of the manufacturers of lard substitutes and a representative of the Food Administration. The minutes of that meeting show that each of the parties present, of themselves and without connection with the others, promised the Food Administration in the presence of the representative of the Food Administration that they would cooperate to the extent of stabilizing prices. The matter was finally put in permanent form by a circular issued by the United States Food Administration, under date of December 28, 1917, and addressed to "Refiners and lard substitutes manufacturers." This circular reads thus:

In order to stabilize the cottonseed industry, to translate the price obtained by the producer directly into the price paid by the consumer for the finished product, to assure a liberal return to those performing necessary manufacturing services in producing the finished product, the Food Administration has established the following spreads or differentials:

For the buying and selling of cotton seed, by seed merchants not exceeding \$2 per ton, plus customary loading charges.

For the crushing of cotton seed, including bags, all manufacturing costs and profits, not exceeding \$13 per ton.

For the refining of crude cottonseed oil, not exceeding 3 per cent on the gross sales of loose refined oil.

For the manufacturing of lard compound from crude cottonseed oil, not exceeding 5 cents per pound between the selling price delivered jobbing centers, tierce basis, and the price of basis prime crude oil f. o. b. mills, with 1 cent per pound additional for packaged goods.

By voluntary agreement of the great majority of manufacturers of lard compound in the United States, it has been agreed that lard compound will be sold by them at 22½ cents a pound, delivered average jobbing points, tierce basis. From this you will see that the Food Administration regards 17½ cents per pound as a fair price to be paid to the crusher for crude cottonseed oil at all points. All oil should be purchased from the crude mills at the same price without regard to location.

All elements in the business to-day are expected to cooperate to bring about the best results, and to prevent any undue congestion at any one point or in any one factory. It must be the desire of all to keep the cotton seed and its products moving in a regular, uninterrupted, and continuous channel from producer to consumer. To this end, your tank-car equipment should be utilized upon a cooperative plan, if necessary, to relieve any congestion at any crushing point. The liberal spread or differential of 5 cents per pound is intended to induce you to carry the full amount of oil permitted by your facilities.

We desire that you write us that we will have your cooperation in the matter and that you fully understand the same. Hereafter you will please address your communications to the Food Administration for the attention of Mr. Pyle.

This circular was reissued in a more condensed form, under date of January 5, 1918.

It should be noted that all of these negotiations above referred to and the two circulars just mentioned, issued by the Food Administration, were prior in date to the correspondence quoted by the Federal Trade Commission in its effort to show that the packers were in a secret agreement as to the price at which they would sell lard substitutes.

The facts which we have detailed above show conclusively that the Federal Trade Commission was wrong in the conclusions which it drew from the correspondence in question, which could have been very readily explained if we had been granted an opportunity to do so. This situation shows very clearly, as I have said, the unfairness and the injustice which may result from an ex parte proceeding such as this investigation of the Federal Trade Commission has been from beginning to end.

It is said that the five big packers exchange information regarding margins realized in the sale of meat. We do not knowingly give information to our competitors about our margins, but we have no doubt that they are as interested in ours as we are in theirs, and that they make as much of an effort to find out what we are doing as we do about what they are doing. We do not know how we could compete with other firms unless we keep ourselves informed as to their prices, and we do not regard it as a violation of business ethics to attempt to find out from the trade the facts about which we are concerned. In every line of commercial activity these practices are in daily use and are regarded, as they in fact are, honorable and legitimate in every way.

As to inspection of one another's stocks of fresh meats, that is not a fair presentation of the matter. Hardly a day passes but what some branch house manager complains that he is short on beef carcasses, whereas his competitor has plenty. Sometimes we are loathe to believe that, and we make efforts to find out whether it is a fact or whether our branch-house man is mistaken. Here again it is simply a case of learning what the competition is which we have to meet. And this is always done in every avenue of business everywhere.

NO JOINT ACTION.

The charge that there is joint action in underselling independent competitors is not true. A categorical denial should dispose of the matter, but in charity to our accusers I will say that there might be conditions from which such an erroneous conclusion might be drawn. To illustrate: Our branch-house manager at Davenport might some week find he had overestimated his market and be compelled to dispose of his beef at a price under that of some independent competitor. Such happenings are not of infrequent occurrence in our business and in all businesses. The following week the branch of some other of the big packers might find itself in a similar position and sell at a loss. You know that fresh beef can not be held until the market is ready for it. It must be sold at once, even if it entails a loss. Doubtless instances could be found where in a limited period one after another of the branch houses of the leading packers found it necessary to sell beef at a loss, and I can understand how the independent competitor might jump at the conclusion that it was a conspiracy to put him out of business.

It is a fact entirely ignored by the commission that it is the keen competition which exists between the big packers which causes the practices about which the commission complains and from which it concludes that there is "combination."

ETHICS ARE OBSERVED.

I wish to impress upon this committee this fact: The business of Armour & Co. is conducted in accord with the highest and best business ethics of the day. A generation ago, when pools and combinations of various kinds in railroads and in every kind of business were common and of everyday occurrence were ethical and supposedly legal, we were then sometimes a party to them, but when new legislation or new interpretations of existing legislation made

such pools and combinations improper we absolutely ceased to be parties to any of them, and I say to you positively that we have not for many years been and are not now in any pool, combination, or arrangement of any kind, either directly or indirectly or openly or secretly or under cover. All such charges are utterly unfair and untrue.

We give the consumer and the producer the very best kind of service, and wherever we find it possible to improve on existing methods of manufacturing and merchandizing we seek to do so because after all is said and done we could not be the large concern we are were it not for the fact that we are better able to serve the public than are those competitors who spring up from time to time and fail and then explain their failure with the statement that they were "frozen out" by the so-called big fellows:

All through the reports of the Federal Trade Commission runs the suspicion, express or implied, that we are serving the public well to-day in order to put competitors out of business, thereby making it possible for us to control and boost prices to-morrow. I call your attention to the fact that this claim is of a perpetual nature. It was made 50 years ago and 25 years ago and a year ago and always; the so-called control was just around the corner.

The kind of control that the Federal Trade Commission fears is not possible. If our competition to-day forced all others out of business, and if we used the power thus obtained to increase profit margins unfairly, there would be a new crop of competitors to-morrow. I do not expect to see the day when American business men will stand by and keep their hands off any field of enterprise which is paying high profits.

The desire to make profits is the basis of business, and any time the profits become large enough and sure enough to justify new competition there will spring into the breach new enterprises able and willing to perform the manufacturing and distributing function for less money.

I trust I have made plain to you the functions of Armour & Co. and demonstrated that our ability to perform them would be greatly impaired, if not destroyed, were the recommendations of the Federal Trade Commission enacted into law. The efficient administration of stockyards and the adjuncts thereto is important to the business of feeding the Nation, and the refrigerator cars and branch houses are absolutely essential requisites.

LOW PROFITS IGNORED.

I can not refrain from raising the question here as to the aims and intents of this pending legislation and of the investigation out of which it came. What was the motive alleged by the Federal Trade Commission to justify its charges of combination and monopoly? Would any motive other than the expectation of large profits cause successful American business men to run athwart the law as is charged here? And what are the facts about the profits of the meat-packing industry? Are they such as to supply the motive for these alleged abuses?

Gentlemen, the Federal Trade Commission has failed completely to justify its charges of unduly large profits. It has talked vaguely of millions, because to most men millions seem huge, but I direct your attention to this fact: It has not been disputed that the meat packers are conducting a gigantic and essential business on a profit margin smaller than obtains in other industries; that the earnings on our turnover average not to exceed 3 per cent annually, and that the packers' profit on a pound of meat averages only a fraction of a penny. Compare our profits with those of other large enterprises and ours will be found much lower.

The pending bill asks you and the world to believe that for the very limited margins, such as those we have made and are making, the law and the ethics of society and business have been ignored by Armour & Co. The charge is not true.

HIGH PRICES NOT DUE TO PACKER.

Gentlemen, in searching out the reason for high prices—and that is the underlying reason, I believe, which caused the President to direct that there be an investigation—your finger can not be laid on the American meat packer. Our profit on a steer amounts to approximately \$1 a head. Mind you, that is the profit on the whole steer, not merely the profit on the meat. I ask you to compare our profit with that of the cattleman, for instance, who told me recently that he made \$50 a head on the animals he sold during the past year. I am not charging him with making an excessive profit, but I want you to consider the relative importance of the packer's \$1 profit with the \$50 earned by the cattleman. During the last 18 years, including the war period, the earnings of Armour & Co. on the actual investment and appraised value of the business averaged 8.9 per cent. On everything, gentlemen. Including all our by-products and all our associated lines and also all our business in what the Federal Trade Commission says is unrelated to the packing industry, our profits represented less than 9 cents annually on each dollar invested in our business.

Can anyone fairly maintain that our share of the dollar paid by the consumer for the goods we put in his reach is excessive?

BUSINESS IS INTRICATE.

The man on the street may regard our business as merely the buying, slaughtering, and selling of steers, but as a matter of fact the business is the most intricate and complex of any I know. It entails more chance than its owners can view with pleasure.

When we sell a beef carcass we have to determine as near as is possible what the hide will be worth half a year later—else we shall not correctly fix the cost of the dressed beef. If we guess wrong on the hide we may find our profit larger than we expected, or we may find that our expected profit is really a loss. The daily market, you know, is not based on what the wares were worth six months ago, but what they could be secured for to-day.

FOOD ADMINISTRATION INFORMED.

With relation to profits, I call your attention to the fact that during the past year a governmental agency—the Food Administration, working under the direction of the President of the United States—had control over and complete knowledge of our earnings, and I am confident that members of the Food Administration would be able to shed much light on the question before you. They prescribed the amount which the industry was permitted to earn, then they had complete knowledge of the prices at which materials were transferred from department to department and furthermore, they sat in judgment of our fixation of overhead expense, so that it is not true, as has been stated, that we proportioned our overhead so as to conceal earnings. There has been and could be no concealment of earnings.

BUSINESS IS AN UNCERTAINTY.

Our business is the same sort of uncertainty as is that of the feeder of meat animals. If his judgment be poor he is apt to lose money. The feeder of steers is a man who does not raise the animals himself and who does not always raise the corn with which he fattens them for market. He speculates on his ability to buy feeders and feed at prices sufficiently low to enable him to make a profit some weeks or months hence, when he sends his fat cattle to market.

Every business is a gamble to this extent: Success or failure hinges on the judgment of the man or men who conduct it, and the only guaranty of success is the business ability and stability of the management.

I call your attention to this phase of the matter before you. If a monkey wrench is thrown into the gears of this business its effects will not be confined to the meat packing industry. If the ability of the packing industry to properly function is impaired it will affect the live stock industry, and it, in turn, will affect corn prices. Wheat will then be drawn in and so will bread and so will labor and so will everything that has for its basis the wealth produced by agriculture.

The theories on which pending legislation is based are not constructive; they are not progressive. They are reactionary. They would disrupt the great manufacturing and marketing machines which half a century of enterprise has evolved, and the results would be detrimental not alone to the leading industry of this Nation, but even more so to that portion of the public which produces and which must have its product distributed, and to the entire public which consumes food and which must have food brought within its reach in shape to eat.

It is perhaps not becoming of me, a merchant unfamiliar with legal problems, to even allude to the fact that a part of the proposed legislation may violate the Constitution. I may, however, be pardoned for saying that I have been advised by advisory counsel, who is now here for this company, that a part of the proposed legislation is probably unconstitutional.

I realize the utter impracticability of putting into one statement answers to all the points which have been raised, but I assure you there are complete answers to every one of the charges made by the

commission, and I invite you to ask me for any additional information which you feel will aid you in arriving at a just conclusion.

(Thereupon, at 1.15 o'clock p. m., a recess was taken until 2.30 o'clock p. m.)

AFTER RECESS.

The CHAIRMAN. Mr. Armour, you may proceed.

STATEMENT OF MR. J. OGDEN ARMOUR—Resumed.

The CHAIRMAN. Mr. Armour, how many different and distinct packing houses are there in this country?

Mr. ARMOUR. All together?

The CHAIRMAN. Yes, sir.

Mr. ARMOUR. Including the large and the small?

The CHAIRMAN. Yes, sir.

Mr. ARMOUR. Why, I would think there were considerably over a hundred.

The CHAIRMAN. I wondered if that could be ascertained with precision?

Mr. ARMOUR. I think so.

The CHAIRMAN. I would like to have the exact number. Do you know how many have come into existence in, say, during the last 10 years?

Mr. ARMOUR. No; but I think a great many. There are a great many of them that are being built and they have been built.

The CHAIRMAN. Could you furnish that approximately?

Mr. ARMOUR. I say, we could furnish it.

Senator PAGE. Mr. Chairman, how low down do you want to go in production, how small?

The CHAIRMAN. Any, I should say, that do an interstate business, or a business of any consequence. There is one little concern that I remember down in Georgia, I suppose limiting its operations to a few miles around, that might not appear in the directory. I assume they have a directory of some sort.

Senator PAGE. How many that will be, covered by this bill? Would not that be a good idea?

The CHAIRMAN. I do not know, Senator; these are rather large ones here.

Senator PAGE. I do not know. It is a question; you might go clear down to the butcher.

The CHAIRMAN. We would not want the butchers—well, those affected by this bill?

Mr. MAYER. Do you want to know how many packing houses are affected by this bill are now in existence?

The CHAIRMAN. Yes.

Mr. MAYER. And how many have been constructed during the last 10 years?

The CHAIRMAN. Can you tell me how many there are that have gone out of business during the last 10 years?

Mr. ARMOUR. I think comparatively very few.

The CHAIRMAN. The so-called S. & S. went out?

Mr. ARMOUR. No; they went out as S. & S. They did not go out of business; they are still doing business as Wilson & Co.

The CHAIRMAN. Is it not the same entity; has it not changed management and ownership?

Mr. ARMOUR. The ownership has changed; yes, sir.

The CHAIRMAN. Why did they go out of existence? Was it due to internal mismanagement or external pressure? What do you know about it?

Mr. ARMOUR. Mr. Sulzberger, the old gentleman, who was a very successful business man, died; and the business was left to his two boys; and I think the business was pretty large for them, and they did not seem to get along very well.

Senator PAGE. Was not Mr. Schwarzchild connected with them?

Mr. ARMOUR. Yes; but he has been dead for many years, and I think it was virtually a question of management.

The CHAIRMAN. Was there any pressure from the outside that you know off?

Mr. ARMOUR. No, none whatever; in fact, I think I can say personally I tried to help them all I could.

The CHAIRMAN. Who controlled it as it was reorganized?

Mr. ARMOUR. At the present time?

The CHAIRMAN. Yes.

Mr. ARMOUR. Mr. Thomas E. Wilson and the New York bankers, who were in the new organization who reorganized it.

The CHAIRMAN. Then, is it not practically a subsidiary either of your own or Swift or Morris?

Mr. ARMOUR. No; we have no interest in it whatever; Armour & Co. have no interest in it, and I do not believe the other interests have; but Armour & Co. have no interest either directly or indirectly in it, and never have had.

The CHAIRMAN. Have you spent a good deal for advertising?

Mr. ARMOUR. Yes.

The CHAIRMAN. How much would you say during the year 1918?

Mr. ARMOUR. Why, I should think considerably over \$1,000,000.

The CHAIRMAN. You would not have any definite knowledge as to the other companies—what they expend for advertising?

Mr. ARMOUR. The amount? No. But it is quite large, very large.

The CHAIRMAN. The whole drift of your statement indicates that you have developed a high degree of efficiency owing to your size in part, owing to your management—efficiency on account of the stockyards, efficiency on account of the refrigerator cars, efficiency on account of the branch houses, efficiency on account of your cold-storage plants—that enable you to handle meats at a lower charge, then would otherwise be true?

Mr. ARMOUR. We think so; yes, sir.

The CHAIRMAN. And you think that enables you to pay more for cattle than you would otherwise pay?

Mr. ARMOUR. Naturally it would.

The CHAIRMAN. Does not those efficiencies make it almost impossible for any new concern to come into existence on any considerable scale?

Mr. ARMOUR. That is a very hard question to answer, because it has taken us 50 years to get to the scale where we are, and any new

concern that came into the business must necessarily come in small, like in any other industry, and our largeness and our efficiency is a matter of years. It is a matter of 50 years. We started very small, as you have heard from my report, and we were many years in getting to the place where we are now. We did not grow very fast; our growth was very slow.

The CHAIRMAN. You said that there was a pretty stubborn sort of competition between yourselves and Swift and other packing concerns?

Mr. ARMOUR. Yes, sir; and I think our margin of profit would show that.

The CHAIRMAN. In that connection you remarked that if any one of the big ones should succeed in crushing the others, that it would not be long before the business genius and ability of this country would bring new concerns into existence to share the fruits of such an inviting field.

Mr. ARMOUR. Well, it would be practically impossible for one of the big concerns to press the other concerns without being in danger of the crushing themselves.

The CHAIRMAN. That was not quite so much the point as this. You stated a hypothetical case, of course, and it is not very easy to speculate about what might or might not happen. But your observation was that it would not be very long before the business genius and ability of this country cause other new concerns to spring up—that is, American business ability?

Mr. ARMOUR. I would think so; yes, sir.

The CHAIRMAN. Do you think it would be possible for them to do that, in view of the enormous amount of advertising that would be necessary; and if you could crush existing concerns, it would be much easier to crush a new concern, would it not?

Mr. ARMOUR. The question of advertising would not, in my opinion, have much to do with that, because a concern starting in business could not by any reason become large without being in business a great many years. Those things do not come in a day or a year.

The CHAIRMAN. I understand that is a matter of evolution.

Mr. ARMOUR. But I want to answer your question—

The CHAIRMAN (interposing). Well, stating it still as a hypothetical case—and we have to state it that way—if any existing concern may crush its competitors now, it would undoubtedly follow that in the case of any new concern it could snuff it out of existence?

Mr. ARMOUR. I presume, theoretically, there might.

The CHAIRMAN. I realize that does not get us very far, because it is speaking on an assumption; but yet if the assumption in one instance is correct, I think the conclusion would necessarily follow in the other.

I will ask you what is the extent of the export business—what does it amount to?

Mr. ARMOUR. Our export business this year—

The CHAIRMAN. I will ask you what it was before the war, Mr. Armour, because during the war this was so abnormal that it would not reach any conclusion that would be worth while.

Mr. ARMOUR. Before the war the packers were exporting principally to England, France, and the Scandinavian countries.

The CHAIRMAN. Do you have any idea what percentage of the output was exported?

Mr. ARMOUR. It would be a comparatively small percentage as to the total volume.

The CHAIRMAN. Have you a plant in Canada?

Mr. ARMOUR. Yes, sir; we have a small one at Hamilton, Ontario.

The CHAIRMAN. Do any of the other big packers have plants in Canada?

Mr. ARMOUR. Swift & Co. have one at Toronto.

The CHAIRMAN. Are there other packing concerns in Canada?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Do you own refrigerator cars in Canada?

Mr. ARMOUR. No, sir; we do not.

The CHAIRMAN. Do any of the packers?

Mr. ARMOUR. I do not know; I would not think they did, but I could not answer that as far as the other people are concerned.

The CHAIRMAN. Do the railroads own the refrigerator cars in Canada?

Mr. ARMOUR. The business in Canada is done very much differently than it is here. There is very little, if any, beef business done in Canada, and most of the pork business done in Canada is done for the English markets—that is, made for the English markets—and all that meat is what we call “dry salt meat”; it is cured in salt, and it is exported. So that there would not be the demand for refrigerator cars over there that there is here, because the business over there is done in an entirely different way.

The CHAIRMAN. Do they own refrigerator cars up there?

Mr. ARMOUR. I would think they do, but I would not think a great many.

The CHAIRMAN. And you do not know whether the Government owns them, the railroads, or somebody else?

Mr. ARMOUR. I do not know. We do not own any over there.

The CHAIRMAN. Where is Swift's plant?

Mr. ARMOUR. Swift's plant is in Toronto.

The CHAIRMAN. How are the stockyards owned there? Do you own the stockyards, for instance, at Hamilton?

Mr. ARMOUR. No; but we own an interest in the stockyards at Hamilton; and Swift & Co. are large owners in the stockyards in Toronto.

The CHAIRMAN. Did you say Hamilton?

Mr. ARMOUR. I think there are other owners besides Swift.

The CHAIRMAN. At Hamilton?

Mr. ARMOUR. No, sir; at Toronto.

The CHAIRMAN. Are they operated a great deal like they are in this country, on the same basis?

Mr. ARMOUR. At Hamilton; no. I would not say they are, because I think there are very few outside buyers. Our Hamilton plant is largely a criterion, because it is a small plant, and we only kill a very few cattle and comparatively a very few hogs there every week.

The CHAIRMAN. Have you a plant in the Argentine?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. How considerable in size?

Mr. ARMOUR. Well, it is quite large. We have a plant there that kills, I presume, 10,000 cattle a week; that would be a maximum.

The CHAIRMAN. What other American concerns have establishments there?

Mr. ARMOUR. Swift has a plant there in the Argentine, and Wilson has one there, and Morris has one there.

The CHAIRMAN. Four of them?

Mr. ARMOUR. I think that is all.

The CHAIRMAN. Do you have refrigerator cars there?

Mr. ARMOUR. No; because we load the beef—our plant in the Argentine is right on the water, right on the dock.

The CHAIRMAN. And you export it all?

Mr. ARMOUR. Entirely; yes, sir—oh, there is very little beef that goes to Buenos Aires, but that is all.

The CHAIRMAN. Where is your plant?

Mr. ARMOUR. Our plant is a place called La Plata, about 25 miles from Buenos Aires.

The CHAIRMAN. Where is Swift's plant?

Mr. ARMOUR. At the same place.

The CHAIRMAN. And the other two?

Mr. ARMOUR. Wilson has a plant a little outside of the city of Buenos Aires; it is within a few miles of Buenos Aires.

The CHAIRMAN. And where is Morris's plant?

Mr. ARMOUR. Morris's plant is right in the city of Buenos Aires, and I will say in that connection, because I have no desire to mislead you, we own half of the Morris plant. The Morris plant is owned jointly by Armour and Morris.

The CHAIRMAN. How are the stockyards controlled at La Plata and Buenos Aires?

Mr. ARMOUR. Well, they do their business there a little differently from what they do in this country. There is a stockyards at Buenos Aires, and they have some cattle—well, considerable cattle, but mostly cattle.

The CHAIRMAN. Owned by whom?

Mr. ARMOUR. None of the big packers. I think it is owned locally.

The CHAIRMAN. Is it pretty efficiently managed?

Mr. ARMOUR. I imagine so—I do not know; I assume so. But if you will allow me to say, I will tell you that the cattle business is differently operated in South America than it is here. Most of the cattle are bought in the country in South America—I presume 60 to 75 per cent of the cattle that are bought by all the packers. Not only Armour, Swift, and Morris, but all the industries there have cattle buyers, and they send them out to the country, and the cattle there are owned in very large herds—the people who own the cattle there are about—I do not know how many hundred thousand; they are very large.

The CHAIRMAN. They send their representatives out and buy them?

Mr. ARMOUR. They send out, but the owners will send in and say, "We have a thousand or 5,000 cattle. Will you send a man out to look at them?"

The CHAIRMAN. Do they have exchanges there and commission men like they do here?

Mr. ARMOUR. They may have at the stockyards. But we buy direct there from what we call "estanchios"—we call them ranches here.

The CHAIRMAN. At La Plata, who owns the yards there?

Mr. ARMOUR. There are no yards at La Plata. The only yards in the Argentine are the yards at Buenos Aires; that is, in the city of Buenos Aires.

The CHAIRMAN. How is the business handled in England? Do they drive them from the farms into stalls; do they have stockyards there?

Mr. ARMOUR. No; I do not think they have. They possibly may have, but the English business, of course, is done very differently. There are no large droves of cattle in England, and the only cattle they have there are what they call the Irish cattle or the cattle they have from England, and they are sent in and killed a different—

The CHAIRMAN. In small numbers?

Mr. ARMOUR. In small numbers; yes, sir.

The CHAIRMAN. And small establishments?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Are there no big packing houses in England?

Mr. ARMOUR. That kill cattle?

The CHAIRMAN. Yes.

Mr. ARMOUR. No, sir.

The CHAIRMAN. Or hogs?

Mr. ARMOUR. No, sir.

The CHAIRMAN. Do they have refrigerator cars?

Mr. ARMOUR. Well, I do not think they do, because they do not even have refrigerator branch houses in England. The climate there is very much different, and they do not refrigerate their beef over there the way we do here. It does not seem to be necessary, because they are not used to it, and they have never done that, and they do not have to ship beef any long journeys.

The CHAIRMAN. As your business runs, when you butcher the steer, how soon do you expect the meat to be consumed by the consumer in the ordinary course of business?

Mr. ARMOUR. Do you want to know from the time we buy it?

The CHAIRMAN. Yes, sir.

Mr. ARMOUR. For instance, if we buy cattle on Monday, we try to kill them as soon as we can, because every day we keep them there is a shrink on them.

The CHAIRMAN. How much would it average?

Mr. ARMOUR. I was coming to that—and we will kill, perhaps, a half of them we buy Monday if possible—on Monday or Tuesday or Wednesday—and then we leave them in the refrigerators for 24 hours. Sometimes we have to leave them 48 hours or even longer; and then we ship them down East, and it takes four days or five days for them to get down to New York or Boston, and they are sold as soon as possible. It might be a week, I would say, from the time the animal is bought from the time the animal was killed, I am speaking now generally, about two weeks.

Senator PAGE. Not from the time it is killed?

Mr. ARMOUR. Oh, no; I mean from the time the animal is bought until the time the animal is sold; from the time the animal is alive to the time the animal is sold in dressed beef on an Eastern market, about two weeks, I would say.

The CHAIRMAN. From the time you buy it, how long before you sell it?

Mr. ARMOUR. I am speaking about ourselves.

The CHAIRMAN. I thought you meant the retailers.

Mr. ARMOUR. No; I do not know anything about the retailers; that is, I should say I presume he would sell it as soon as he could, naturally.

The CHAIRMAN. That would constitute a turnover as far as beef is concerned?

Mr. ARMOUR. I would think so; it might average something more than that, but I would think conditions would enter into that largely. But, of course, it is to our interest—very much to our interest—to have the cattle sold or into beef and put on the market and sold as soon as possible.

The CHAIRMAN. That is undoubtedly so. I thought it would be about 25 or 26 turnovers a year.

Mr. ARMOUR. That is only on our fresh meat; that is all.

The CHAIRMAN. On your fresh meats?

Mr. ARMOUR. That would not take in the whole live steer.

The CHAIRMAN. No.

Mr. ARMOUR. That is only the percentage of fresh meat you get out of the cattle.

The CHAIRMAN. Fifty-eight or sixty per cent?

Mr. ARMOUR. Well, 55 or 60 per cent.

The CHAIRMAN. Could you make any estimate about the turnover of the by-products? It would differ so much, I do not know whether you could state an average or not.

Mr. ARMOUR. It is very difficult to say, because the market has a great deal to do with it. For instance, as to hides: It takes 20 days—well, 25 days to cure hides, and then the sale of them depends entirely on the market. Sometimes we can sell them very rapidly, and at other times, when the market is bad, I have known Armour & Co. to hold hides for seven or eight months—well, I have known them to hold hides a year—but that is hardly a fair statement.

The CHAIRMAN. Of the hogs that you butcher, what per cent of them do you sell as fresh pork and what percentage do you dry and salt?

Mr. ARMOUR. Of course, that varies as to the demand; sometimes the demand for fresh products is very good, and we would not try to have more fresh meat than we would at other times. I should suppose about 25 or 35 per cent would be fresh.

The CHAIRMAN. Would be fresh?

Mr. ARMOUR. Would be fresh.

The CHAIRMAN. And your turnover on that would be as rapid as on cattle?

Mr. ARMOUR. Well, just about, perhaps, yes.

The CHAIRMAN. On the salted or dry pork, how long for that?

Mr. ARMOUR. That varies a great deal. You know, or you must know, that the heavy receipts of hogs come during the winter months, from November on to spring, and we buy all the hogs then that we are able to take care of, and we have to put them down and keep them, and if the receipts are very heavy, as, for instance, they are now—all

the packers have very heavy stocks of everything—and that is sold during the summer, and that has to take care of the trade during the summer, and there is a very light supply of hogs.

The CHAIRMAN. How long does it take you to secure this salt meat and get it ready for the market?

Mr. ARMOUR. If there were a market, from 30 to 60 days; sometimes a little under that, say, 45 days.

The CHAIRMAN. Then there would be anywhere from 6 to 12 turn-overs a year.

Mr. ARMOUR. That varies according to the article that you are curing.

The CHAIRMAN. Has there been a considerable increase in the hog supply during the last year?

Mr. ARMOUR. Yes, sir. The Government report came out a little while ago—I think the 1st of January—which showed that there were 75,000,000 hogs this year as against 70,000,000 hogs a year ago, an increase of something like 6½ per cent.

The CHAIRMAN. I noticed the amount slaughtered last year—1918—was about 24,000,000, an average of two or three million less than the year before that.

Mr. ARMOUR. The receipts of hogs this year have been very, very heavy, as well as the receipts of cattle; much heavier than usual.

The CHAIRMAN. That is due to the stimulation production?

Mr. ARMOUR. That is due to the fact that last year, when we were in war, the Government sent out an appeal to everybody to raise all the hogs they could; they did not know how long the war was going to last, and there was a great demand for food products; in fact, it was one of the most essential things for the carrying on of the war.

The CHAIRMAN. Was there an extra demand for pork last year as compared with preceding years of the war?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Why was that?

Mr. ARMOUR. Well, there were not any more people I do not suppose, but I suppose those people paid two or three times as much as they would in civilian life. And then the supply of pork was cut off from the Netherlands, which cuts a big figure. The supply of pork was cut off to England from Russia, and England receives a lot of pork products from Holland, Norway and Sweden, and Russia, and all that was curtailed; that was cut off; they had none of that, and we had to step in and take care of the demand that was formerly taken care of by these other companies.

The CHAIRMAN. Do you know whether there has been any material falling off in cattle in England, France, and Italy?

Mr. ARMOUR. I do not think there has been—if I understand your question, I think undoubtedly they kill a lot of their cattle that would ordinarily have been used for breeding purposes. I think they have killed off a great many of their supply that they ordinarily would not have done if there had not been any war.

The CHAIRMAN. I have seen the statement that in England there really had not been any falling off in cattle, and thought you might have the information.

Mr. ARMOUR. We have not got that. It is very difficult to get that. I do not think there has been near the falling off in England that

there has been in the other countries, because the armies have been in the other countries and it has been somewhat different in England, because England has been able to feed herself very much better than the other countries engaged in the war.

The CHAIRMAN. How long have you been on this 17½ basis?

Mr. ARMOUR. This year—since the 1st of November.

The CHAIRMAN. Since the 1st of November, last fall?

Mr. ARMOUR. Yes.

The CHAIRMAN. About three months. Well, is there, generally, when the market is normal, a pretty definite ratio between the price you paid for the hogs on the hoof and the price you get for the finished product?

Mr. ARMOUR. You mean, is the present price the same as ordinarily?

The CHAIRMAN. No; I did not mean that. Everything is out of line now. But I mean in ordinary times—1910, 1912, or 1914—is there any pretty definite ratio between the price that you pay for hogs and the price you get for the meat?

Mr. ARMOUR. Well, I do not think so, because the price we get for our meat depends entirely on so many different things.

The CHAIRMAN. State what different things it depends on.

Mr. ARMOUR. Well, the weather has a great deal to do with it; for instance, we had a very bad week here this week. They told me yesterday, when I was down to our branch house. The weather is abnormal, and people do not eat as much beef and do not eat as much fresh pork as they would if the weather was colder, or if the weather was natural, such as they would ordinarily have this time of the year; and it is very difficult to give you any ratio as to what we would ordinarily get, because that varies so much.

The CHAIRMAN. Is that true as to cattle also?

Mr. ARMOUR. Yes; I think it is. I was referring when I spoke about the markets here of both cattle and fresh meats here, although there is less speculative risk in the beef business than there is in the hog business, because you market your beef inside of two weeks and you have to hold your hog products sometimes six or nine months, and some years if you are unable to sell out your hog products you have to carry them into the next year.

The CHAIRMAN. Then there are several factors determining the price at which you sell your finished products, independent of the price which you pay for the raw material?

Mr. ARMOUR. Oh, a great many. There is not only the conditions in this country, but the conditions in Europe have a great deal to do with it. I am speaking now of normal times. Sometimes they will have a very big run of hogs or a very big supply of hogs from the Netherlands, from Norway, and from Denmark. Denmark ships a great many hogs and bacon to England, and they are like we are to a limited degree—they have their good seasons and their bad seasons.

The CHAIRMAN. I have forgotten—did you state the amount of export business done by all packers awhile ago?

Mr. ARMOUR. No; I did not, but I said it was comparatively light as to their total.

The CHAIRMAN. And yet, notwithstanding it is so light—

Mr. ARMOUR (interposing). We are speaking now of before the war?

The CHAIRMAN. Certainly, before the war—and yet, notwithstanding this was light, there is a pretty severe reaction, is there, on prices here?

Mr. ARMOUR. Our volume of business is so large, I would not want to say “so light.” I would say that it was light compared to what they are here.

The CHAIRMAN. I wish you would make a schedule showing exports of packing-house products during the last 10 years.

Mr. ARMOUR. Previous to the war?

The CHAIRMAN. Yes, sir. Previous to and during the war—10 years before the war and during the war.

(The schedule referred to was subsequently furnished by Mr. Armour and is printed here in full, as follows:)

The CHAIRMAN. What are the different factors that control you in reaching a conclusion as to what prices you pay for cattle and hogs?

Mr. ARMOUR. Well, we naturally know during the summer time and during the fall how many live hogs there are in the country—that is, we try to know—I am speaking now for Armour & Co., and I imagine the other people do the same. We get an estimate from our hog buyers who are in a position to know, because they talk with the farmers and they talk with the people who come in from the country about whether there is a large supply of live hogs in the country or whether there is not. If there is a large supply of live hogs in the country, of course, there are certain times in the year when they come to market, and they naturally have to come at that period, and the price of hogs is based a good deal on the number that arrive on the market and the state of the trade; that is, supply and demand.

The CHAIRMAN. Do you mean “supply and demand” for hogs?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. And not for meat?

Mr. ARMOUR. Not for meat. Of course, that is in a way reflected on the meat, but there is a certain portion of that meat there is never a demand for in ordinary times, until the summer months, because most of that meat, what we call the side meat and cured meat, goes to feed the South, and, of course, a percentage of it goes to England and the other countries.

The CHAIRMAN. You do not sell so much of that in the North?

Mr. ARMOUR. No, sir. We sell hams and things of that kind, but I am speaking of the side meats being sold in the South.

The CHAIRMAN. In the fall, then, when you are buying pork and cattle, for instance, you make up your judgment as to the price, first, on the supply in the country based upon the reports of your buyers, and, second, on the number coming to market day by day?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Are those the two leading factors?

Mr. ARMOUR. Yes, sir; and if we think there are a good many hogs in the country, and we can not buy them as low as we think we can buy them the early part of the season, we buy fewer hogs and wait until they are going to come in and buy them nearer our ideas. That is purely a matter of guess entirely.

The CHAIRMAN. Then it could easily happen under your system of doing business that you might pay a certain price based on those facts and factors in the fall, and if that was followed by a much more

severe winter than usual the demand for meat was much greater than usual, of course, you would, according to your statement a few minutes ago, raise the price of dressed meats and finished products on account of this extraordinary demand incident to the weather?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. And you would do that, of course, without any reference as to the price you had paid for the cattle or the hogs?

Mr. ARMOUR. You can not do that without any reference to the price you pay for the cattle or the hogs, because if there is a stronger demand for beef you have only got about a week or 10 days' supply of beef on hand and if there is a big demand for beef, why, we have got to pay a bigger price for cattle immediately, because we are not the only buyers—the big people are not the only buyers—there are a great many people buying cattle besides Armour and Swift and the big people, so-called here; and if there is a demand for beef, we have to replenish our beef supply. We might get a profit on the beef we would have in the cooler on hand, but if there was a big demand for beef we would have to replace that beef, and we would naturally have to replace it at a very much higher price.

The CHAIRMAN. Have you made any investigation as to the cost of producing cattle out in the range country?

Mr. ARMOUR. I do not think I am competent to answer that question.

The CHAIRMAN. How has this plan of fixing the price on the live stock on the hoof operated; can you tell us that?

Mr. ARMOUR. It is very hard to tell. Of course, this a very extraordinary condition that we are in now.

The CHAIRMAN. I understand that.

Mr. ARMOUR. The packers have very large supplies of meat on hand.

The CHAIRMAN. Give us some idea about that, since you have mentioned it. I was intending to ask you about it. State your supplies now with reference to a year ago.

Mr. ARMOUR. Oh, I should think they were 25 per cent more.

The CHAIRMAN. That is in the cold-storage establishments?

Mr. ARMOUR. Yes, sir; that is meats in the cold-storage establishments. I should say there are fully 25 per cent more meats in cold storage.

The CHAIRMAN. Is that beef in cold storage?

Mr. ARMOUR. No, sir; this is only pork I am talking about now.

The CHAIRMAN. You do not put beef in cold storage?

Mr. ARMOUR. We only put beef away as we get orders for it from the Government, and the Government may give us an order for 10,000,000 or 15,000,000 or 20,000,000 pounds of beef. They want that frozen, and the only way we can get it frozen is to accumulate a lot of beef and put it in the freezer and freeze it, and then they issue their requisitions and take it away as they want it.

The CHAIRMAN. I wish you would commit with your statement, if you have not it in mind, the amount of pork and other products that you handle in cold storage, not your own supplies at all, but the aggregate in storage in the country, if you know; is that available?

Mr. ARMOUR. It is available; yes, sir; I think you can get that from the statistics from the board of trade. At the first of the month

or at the end of the month they turn their stocks in to the board of trade.

The CHAIRMAN. At Chicago?

Mr. ARMOUR. Yes, sir; and at Omaha, and all the large markets—Kansas City—turn their stocks in at the end of the month to the board of trade, and they turn their stocks in as to all the hams they have, as to all the dry-salt meats they have, and all the different articles they own—except beef—all the hog articles they own—what they call “staple” articles.

The CHAIRMAN. What are the staple articles?

Mr. ARMOUR. Hams, shoulders, lard, and different cuts of dry-salt meat.

The CHAIRMAN. Of course, that would not be in cold storage?

Mr. ARMOUR. Oh, yes, it would; yes; it is all in cold storage.

The CHAIRMAN. Do you keep salt stuff in cold storage?

Mr. ARMOUR. Yes; we put salt stuff in cold storage. Salt stuffs have got to be in cold storage, too, and that is handed to the board of trade by everybody—Armour & Co., Swift & Co., and every packer on the Chicago market, and every packer on the Omaha market, the Kansas City market, or any other large market—St. Louis, and different markets; and that is compiled by the secretary of the board of trade—that is all given in to the secretary of the board of trade, and then at the first of the month the secretary of the board of trade at each of those markets issues a pamphlet, which is free to anybody and everybody, so that any broker on the board of trade or anybody else knows just as much as any packer knows about what the stocks of hog products is in the country.

The CHAIRMAN. Would you have any idea of the average length of time that these stocks are carried in cold storage before they are taken out and given consignment?

Mr. ARMOUR. That depends entirely on demand, as I said before; it is not taken out immediately.

The CHAIRMAN. I understand it may vary, but I thought you could give it in a general way.

Mr. ARMOUR. I think it was carried, as a rule, through the winter and is not taken off, because in the winter there is no lard trade. The demand for lard is really very light, and lard is only used in the summer. And before the war, of course, the great lard market was Germany. Germany was our great buyer of lard, and they buy it during the summer.

Senator PAGE. Let me ask one question?

The CHAIRMAN. Yes, sir.

Senator PAGE. I would like to know how extensive the investigations or ramifications are. Do they extend to cities like San Francisco and Los Angeles and Seattle?

Mr. ARMOUR. No, sir; I think only the principal packing cities, but the others are available easy enough.

Senator PAGE. I was wondering whether they were not brought together at some point in the aggregate substantially?

Mr. ARMOUR. They are brought together usually by brokers on the board of trade, and usually that information furnishes the basis of speculation on the board of trade.

Mr. CREIGH. Might I suggest the United States Bureau of Markets has that?

Mr. ARMOUR. They have that, also. I presume they have.

Senator PAGE. So that as a matter of fact, you have the entire aggregate brought together somewhere, very nearly correct.

Mr. ARMOUR. Oh, yes, sir.

The CHAIRMAN. So that the price you would pay for hogs at one time, based on the available supply, you stated awhile ago would not necessarily govern the price at which you sold the finished product, but that the price of the finished product would be largely influenced by the stage of the weather?

Mr. ARMOUR. Oh, yes, sir; and then the price of the hogs in the early season—the big packers do not make the price of hogs. There are a lot of independent packers who are in the business, and there is more people who buy hogs in the markets than the big packers. There are more buyers on the markets than the big packers, and there is a lot of very good-sized packers, and a great many middle-sized packers, and a great many small packers who buy the hogs.

The CHAIRMAN. Well, do you think it would be practicable in ordinary times, through representatives of the consumers, somebody representing the producers, and somebody representing the packers, to arrive at a basis, or a base line, like the Food Administration has imposed upon you, at which you should buy hogs?

Mr. ARMOUR. That is a very hard question to answer. I will say very frankly to you that if something on that line could be worked out, it would be very agreeable to the packer. We would like to have it fixed, so that there would be some way of regulating the shipments of live hogs and live cattle, so that they would not come in on one day—that is, have great big receipts one day, and then the next four or five days have the receipts fall off. It would be well if there could be some way of stabilizing the market.

The CHAIRMAN. If there were more packing houses in more parts of the country, would not it meet that situation?

Mr. ARMOUR. I do not think it would; no. Because I do not think that would make any difference. Any packing houses of any size have either got to buy on the Chicago market or the St. Paul market, or some market they are near, or they have got to go into the country and buy. They have got to be assured of a supply of hogs, no matter whether it is a big packer or a little packer.

The CHAIRMAN. In the effort to regulate the shipment to market, that would result in a good deal of discrimination?

Mr. ARMOUR. Well, that is being done now.

The CHAIRMAN. I know it is—and how is it working?

Mr. ARMOUR. Well, it works sometimes and sometimes it does not work. Mr. Everett Brown has been charged with the shipment of live hogs.

Of course the country has a very large supply of hogs, and there has been some uncertainty in the minds of some people as to whether 17½ cents, which is a price made from month to month—

The CHAIRMAN. Well, that ends February 1, does it not?

Mr. ARMOUR. Yes, sir. They have a meeting, I understand, on the 28th of all the producers and live-stock people, as well as the packers, all the packers, small and large, to arrive at a price for next month; and lots of people—of course, there is always that uncertainty

whether they will have the same prices for next month that they have had for this one; and the price is a very good one——

The CHAIRMAN. And I suppose in anticipation of a probable reduction of price, the farmers would ship in their stuff pretty heavily if the market was not limited.

Mr. ARMOUR. That is what has happened; and there has been put on what we call a "zone regulation," so that a man could not ship his hogs in without he got permission from the railroad to accept them; and that has worked, but when they took it off, the country was so anxious to ship their hogs that there would be a glut right away; and that is hard for the farmer as well as for the packer. Well, of course, the price can not go down during the month it is put on for.

The CHAIRMAN. I understand, but here is what I had in mind. If a lot of farmers think a price will go down after February 1——

Mr. ARMOUR. They will naturally ship——

The CHAIRMAN. And this limitation on their shipment will, of course, prevent somebody getting the benefit of the 17½ cents?

Mr. ARMOUR. Yes.

Senator PAGE. In other words, somebody is carrying a lot of pork in anticipation of the condition referred to.

Mr. ARMOUR. Of course, it does not make much difference how many hogs have been arriving, the price is 17½ cents.

Senator PAGE. But suppose you did not want to buy at that price!

Mr. ARMOUR. Well, the packers have been buying all the hogs they had the capacity to kill; and they have been buying all these hogs at the solicitation of the Food Administration, as they say that there is going to be a very large demand for hog products in Europe, and we have been working with the Food Administration with the desire to have as much meat on hand and take care of these receipts as possible, because they have undoubtedly been increased by the promises put out by the Government, urging everybody to raise hogs for next year.

The CHAIRMAN. Have you any definite information about the requirements for Europe, what will be taken. Has Mr. Hoover advised you about that?

Mr. ARMOUR. No, sir; we are only advised from month to month. They give us the orders at the beginning of the month, and then they may give us some other orders in the middle of the month, but we never have any orders beyond the month.

The CHAIRMAN. Did you have any conference with Mr. Hoover before he went to Europe?

Mr. ARMOUR. I did not. When I say that, I should perhaps modify it by saying that I know the packers saw him, but I did not see him personally.

The CHAIRMAN. Do you know whether he went over there to see if he could not arrange a larger market for packing-house products?

Mr. ARMOUR. I don't know that. I don't think he went over there to arrange a larger market for packing-house products; but I think he went over there to arrange a distribution, and to find out the wants of the people over there.

The CHAIRMAN. Have you had any word from him?

Mr. ARMOUR. It might be the same thing, although it is somewhat different.

The CHAIRMAN. Since he has been over there have you had any word from him as to what he has succeeded in doing?

Mr. ARMOUR. No; we have not. We have had no word with Mr. Hoover at all. Our communication now with the Food Administration is with Mr. Snyder, who is the man in charge.

The CHAIRMAN. Has he reported to you anything about the probable demand in Europe?

Mr. ARMOUR. Only in a very general way. He says that the demand for Europe for the next month and all during the summer is going to be very, very large; and, in fact, he goes to the extent of saying that he thinks that the supplies from this country, as owned by anybody, will be more than used up during the summer.

The CHAIRMAN. Then, that will probably let you out on your 17½-cent purchases, won't it?

Mr. ARMOUR. I do not think there is any doubt about it.

Senator PAGE. Is Mr. Snyder a large operator in pork in Boston?

Mr. ARMOUR. Mr. Snyder is in the hotel supply business in Boston. He is a very intelligent gentleman, and he has been in the hotel supply business all his life, and has built up a very large business.

Senator GRONNA. Is he assistant to Mr. Cotton?

Mr. ARMOUR. I don't know. Mr. Cotton went to Europe some time ago, and Mr. Snyder took his place. I do not think he was in the Food Administration when Mr. Cotton was there, but I do not know.

The CHAIRMAN. Has Mr. Cotton severed his connections with it?

Mr. ARMOUR. I do not know.

The CHAIRMAN. Were any of your representatives in the Food Administration here?

Mr. ARMOUR. No.

The CHAIRMAN. No people out of your plant?

Mr. ARMOUR. No.

The CHAIRMAN. You made about 2½ per cent on your turnover?

Mr. ARMOUR. No; I did not. I said we made 1.8 cents on every dollar.

The CHAIRMAN. Last year?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. And what the year before?

Mr. ARMOUR. Something like 3 per cent.

The CHAIRMAN. Speaking in terms of percentage on turnover, that is no standard as to whether you are making too much or too little on your capital, is it?

Mr. ARMOUR. That in itself would not be, no; but when that is connected with the per cent we made on our investment, I think last year we made less than 9 per cent on our total moneys invested in Armour & Co.; and there is no water in that. That is the actual value; that has been an accumulation of years.

The CHAIRMAN. Then, you made less than the amount allowed by your agreement with the Food Administration?

Mr. ARMOUR. A great deal less. And I will say that we sold \$250,000,000 to the Government in meat and different products, which we were allowed to make 9 per cent on, and we did not make half of that.

The CHAIRMAN. Do you mean that your concern sold \$250,000,000 to the Government?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Do you know how much Swift & Co. sold?

Mr. ARMOUR. No, sir; I do not.

The CHAIRMAN. Nor any of the others?

Mr. ARMOUR. No; I do not.

The CHAIRMAN. Are you familiar at all with the cooperative packing houses in Denmark?

Mr. ARMOUR. No, sir; I do not know them.

The CHAIRMAN. You have made no study of cooperative packing houses anywhere?

Mr. ARMOUR. Only in a very general way. They have not been very successful in this country.

The CHAIRMAN. Have they been attempted in this country?

Mr. ARMOUR. To some extent; yes, sir.

The CHAIRMAN. Do you have any particular instance in mind?

Mr. ARMOUR. Why, there have been some, I think, in Minnesota and in some of the Western States.

The CHAIRMAN. Now organized by producers of the live stock?

Mr. ARMOUR. I think by the producers and also other people that might take stock. I do not think wholly by the producers; no.

The CHAIRMAN. Do you know the cause of their failure, whether it was mismanagement or inexperience or pressure from outside?

Mr. ARMOUR. I think they were badly managed.

The CHAIRMAN. Have you known of any succeeding?

Mr. ARMOUR. No; I have not known of any succeeding, but that does not mean that there may not have been some that succeeded. I would be very glad to get that information for you.

Senator NORRIS. I suggest that we request Mr. Heney to examine Mr. Armour.

The CHAIRMAN. Yes; I think that would be a good idea.

Mr. MAYER. Is that quite fair, Mr. Chairman? Mr. Heney has been counsel for the Federal Trade Commission. He has had much experience and has great astuteness, acting as investigator and attorney for the Federal Trade Commission, and was largely instrumental in the formulation of its findings and report, and he is also here as one of the attorneys for one of the complaining parties. I just throw the suggestion out.

Senator NORRIS. I make the suggestion principally for the reasons that the attorney for Mr. Armour has named. Mr. Heney is familiar with the Federal Trade Commission's investigation, much more familiar with it than we are, and has undoubtedly given it a great deal more attention than we have been able to give it, even in this investigation, and if they want to get all the facts I do not see why they should not welcome an examination by Mr. Heney. More than that, we did that even yesterday or the day before. Mr. Logan's attorney was here—

The CHAIRMAN. You mean Senator Bailey?

Senator NORRIS. Yes. Mr. Armour has his attorney sitting here by his side.

The CHAIRMAN. There is some complaint that the Federal Trade Commission's investigations were ex parte, and, while they justified that, for the particular purposes they had in mind, it may be true that an ex parte investigation is generally open to some criticism as not the best kind of a thorough investigation.

Senator PAGE. Mr. Chairman, I should think it would be important to know whether this is an investigation or a prosecution.

The CHAIRMAN. I think there is no suggestion on the part of anyone that it is a prosecution. It is an investigation, and I imagine that Mr. Armour desires a full investigation into the facts, and that he would really like to have Mr. Heney take charge of the examination. I understand this is Mr. Mayer.

Mr. MAYER. Yes. May I ask would the same privilege be accorded us to cross-examine witnesses?

Senator NORRIS. I see no objection to that.

Senator GRONNA. I would have no objection.

Senator NORRIS. I would be glad to have Mr. Mayer examine any witnesses who are not friendly, or, for that matter witnesses who are friendly to the packers. I have no objection to Mr. Afmøur's attorney examining him now.

The CHAIRMAN. What we want is a full and free investigation of all the facts, the facts that are directly involved in this investigation; and I think there may properly be objection to an ex parte hearing; and, so far as I am concerned, I feel that this is to be an investigation and not, as perhaps suggested by Senator Page, a prosecution. So I would have no objection to anyone interrogating any of the witnesses, and either a public interest or a private interest. When I say a private interest I mean a private interest on account of its connection with Armour, for instance, or Senator Bailey, in connection with Mr. Logan.

Senator GRONNA. This is a matter in which the whole country is very largely interested. It has frequently happened that hearings have been held before these committees, and about the only result that was accomplished has been that each man who was willing to come before the committee has come and told his story. Of course I do not mean to impugn the motives of any man, but there are so many things with which members of the committee are not familiar, and, as one member of the committee, I should desire that Mr. Heney be permitted to ask some questions because he has, to some extent at least, gone into this matter, and I am sure that Mr. Armour or any man interested in the packing business will not object to that, because I think all you want, Mr. Armour, is fair treatment and let the country know the facts.

Mr. ARMOUR. That is all; yes.

Mr. MAYER. If it may be understood that the packers may have the privilege of cross-examining, I have not the slightest objection. And may this also be understood, that as to witnesses who have already appeared, none of us has been present, and could they be recalled for cross-examination?

The CHAIRMAN. Yes. We would be glad to recall any that are here and to recall any of those who are gone and we can get. This is a voluminous record and I know little about it except what I have seen in the newspapers, and I wish to be sure this is not a prosecution but an investigation.

Mr. MAYER. I am sure that is so. As I say, if we are given the same opportunity of cross-examination we have not the slightest objection.

The CHAIRMAN. That is not only a privilege, but a right.

Senator PAGE. I simply want to say this: It seems to me that this may possibly degenerate into a very unpleasant hearing. If it is simply an investigation I have not the slightest objection, but if it degenerates into a prosecution I would hate to have it proceed.

Senator NORRIS. The people that have objected—and I have a lot of the objections—that in the investigation conducted by the Federal Trade Commission these people were not allowed to testify, although they wanted to testify.

Mr. MAYER. We are very glad to be able to come here and to testify.

The CHAIRMAN. I think there was an incident this morning bearing on that, and that is the fixed price on the cottonseed lard case. Undoubtedly there was an order of the Food Administration back of that which put a different phase on it.

Senator GRONNA. When Mr. Colver testified before this committee I asked in good faith if the packers were given an opportunity to be heard. I had no interest in the matter except to get both sides of the question and to give both sides a fair hearing.

Mr. MAYER. You know from the experience I have had with you that I am the last man to try to shut off getting the whole truth, and all we want is the some opportunity of cross-examination.

Senator GRONNA. Yes; I believe that is true.

Mr. MAYER. Is there any objection to my asking if you will state the name of the client, the name of your association, Mr. Heney?

Senator NORRIS. I do not think there is any objection to that, although we had not asked him to examine witnesses on that account. It would be just the same, as far as I am concerned.

Mr. HENNEY. It is already in the record, but I will say it is the Farmers' National Committee on Packing Plants and Allied Industries; C. H. Gustafson, president of the Nebraska Farmers' Union.

Senator NORRIS. It has been usual for a committee to employ an attorney, and the only difference in this case is that Mr. Heney will work here without compensation.

Mr. HENNEY. In order to clear up the record just a little bit, Mr. Armour, did you ever apply to me for the privilege of testifying during the investigation?

Mr. ARMOUR. To you? No.

Mr. HENNEY. Did you ever make application or send anybody to make application?

Mr. ARMOUR. Mr. Mayer.

Mr. HENNEY. I mean to me.

Mr. ARMOUR. You personally; no. I don't know whether he saw you personally.

Mr. MAYER. No; I did not see Mr. Heney.

Mr. HENNEY. When Mr. Mayer went was not that after the first report of the Federal Trade Commission had already been issued?

Mr. ARMOUR. Well, I do not think so; no. I think it was during the investigation. But Mr. Mayer can tell.

Mr. HENNEY. I am asking for my own information. I never heard that until just recently.

Mr. MAYER. It was within a few days after you had begun to take testimony publicly at hearings which were being reported in the newspapers. I have forgotten whether you were then in Boston or Philadelphia; Philadelphia, I think.

Mr. HENNEY. Well, it was not reported to me, because I should certainly have had no objection to hearing Mr. Armour or anybody else.

Mr. Armour, when did you personally first become actively associated with the business of Armour & Co; what year, do you remember?

Mr. ARMOUR. Well, I don't know what year it was. I was about 19 years old.

Mr. HENNEY. In what year were you born, if I may ask?

Mr. ARMOUR. 1863.

Mr. HENNEY. That would be along about 1882, then?

Mr. ARMOUR. I think 1882 or 1883; 1882, I think, was about the year.

Mr. HENNEY. When did you first become the manager of the business yourself; what year?

Mr. ARMOUR. I became president on the death of my father, 18 years ago in January.

Mr. HENNEY. That would be 1900, then?

Mr. MAYER. 1901.

Mr. ARMOUR. Yes; it was 1901.

Mr. HENNEY. As president of the company, you have kept in quite close touch with what was going on?

Mr. ARMOUR. I think so. I have tried to.

Mr. HENNEY. And prior to that time were you in pretty close touch with it also, from the time that you started in 1882, we will say?

Mr. ARMOUR. Why, I was learning the business, with the hope that some day I would become president of it.

Mr. HENNEY. About how many packing plants, different packing plants, were there in Chicago, when you first became associated with the business of Armour & Co., in 1882?

Mr. ARMOUR. Do you mean different packing plants besides Armour's?

Mr. HENNEY. Yes.

Mr. ARMOUR. Oh, I think there were quite a number, quite a good many, but how many I could not say.

Mr. HENNEY. You could not say approximately?

Mr. ARMOUR. I could not say offhand; no.

Mr. HENNEY. Not even approximately?

Mr. ARMOUR. No; I would not try to say approximately, because you can get that from the records accurately, and I can not give it to you accurately.

Mr. HENNEY. But a good many more than there are now?

Mr. ARMOUR. Yes; I would think there were; yes, sir.

Mr. HENNEY. And were a great many of those packing plants engaged in slaughtering cattle as well as hogs?

Mr. ARMOUR. No; very few. Most of them were engaged in slaughtering hogs.

Mr. HENNEY. And how many packing plants were engaged in slaughtering cattle in Chicago, we will say in 1885?

Mr. ARMOUR. There were very few comparatively; slaughtering hogs was quite an industry before the slaughtering of cattle became an industry; that is, the slaughtering of hogs was a big industry before the slaughtering of cattle was.

Mr. HENNEY. Who were the large cattle slaughterers in 1885?

Mr. ARMOUR. I do not think there were any very large ones in Chicago. I think Swift was probably killing some cattle, and I think we were, but the principal business of Armour & Co. was the hog business. We started first in the hog business, and then we developed later into the cattle business.

Mr. HENNEY. When did you first commence to develop to any great extent in the cattle business?

Mr. ARMOUR. I can not give you the year, but I can get it for you if you want it. I can not give it to you offhand.

Mr. HENNEY. Well, you were slaughtering cattle to some extent as early as 1885, were you not?

Mr. ARMOUR. Yes. The first year we slaughtered canning cattle; that was first. That is, cattle were slaughtered and the meat was put into cans; and then afterwards the dressed beef was developed, but that was later.

Mr. HENNEY. How early did the dressed-beef business, shipping in refrigerator cars, develop?

Mr. ARMOUR. What year?

Mr. HENNEY. Yes; about what year did that commence to develop?

Mr. ARMOUR. Oh, I don't know what year. I think this pamphlet of mine tells you the year that the refrigerator car was invented.

Mr. HENNEY. Yes; I think it was 1868 or 1869.

Mr. ARMOUR. Well, right after that. If you will wait a minute, I can give it to you here. Perhaps you have it there, as I do not seem to find it.

Mr. HENNEY. I think it is on page 10.

Mr. ARMOUR. No; I guess it is on page 11. "The packing business was still largely a pickling business up to this time."

Mr. HENNEY. Does "up to this time" mean up to 1900? I was not quite sure in regard to that.

Mr. ARMOUR. Well, I would not think so; no. No; I would not say so. The beef business was long prior to 1900.

Mr. HENNEY. Who was the first one to commence using the refrigerator car to any large extent—which one of the packers?

Mr. ARMOUR. I don't know. I think Hammond was.

Mr. HENNEY. I was reading some history to the effect that the elder Swift used it.

Mr. ARMOUR. I was under the impression that Hammond probably used it first, and then Swift came along, and then Armour came along; we were all along about then.

Mr. HENNEY. They followed each other pretty rapidly?

Mr. ARMOUR. Pretty close; yes, sir. As to who was first. I could not tell you.

Mr. HENNEY. There was a patent on that originally, was there not?

Mr. ARMOUR. Well, I don't know.

Mr. HENNEY. Armour & Co. never had any interest in any patents in connection with it?

Mr. ARMOUR. No, sir.

Mr. HENNEY. And never had any difficulty in getting the right to use the cars?

Mr. ARMOUR. Oh, no. You could get all the cars you wanted. There were several patents. There were lots of patents—or, at least. I would say there were several patents.

Mr. HENNEY. Before the refrigerator car commenced to be used to any great extent was Armour & Co. shipping any live stock to the East from Chicago?

Mr. ARMOUR. No, sir.

Mr. HENNEY. Did Armour & Co. ever engage in shipping live stock to Europe from this country—on the hoof, I mean?

Mr. ARMOUR. We have shipped live stock to Europe many years ago—live cattle.

Mr. HENNEY. Well, were you regularly engaged in that business?

Mr. ARMOUR. Yes; we were in and out. We were in it when we thought it was good, and then it would get bad and we would stop, and then we would go back in it again.

Mr. HENNEY. Have you any idea of the years you were in it to any great extent?

Mr. ARMOUR. No; I do not know what the year was, but that could be ascertained if it is any use to you. The live cattle were shipped there before it was thought possible to ship dressed beef over there. That was the only reason live cattle were shipped, because they did not think it was possible to ship dressed beef. They did not think they could keep it.

Mr. HENNEY. When was the first refrigerator ship used in shipping beef to Europe?

Mr. ARMOUR. I don't know. It was a good many years ago.

Mr. HENNEY. Do you know who started that?

Mr. ARMOUR. Oh, I don't know just who started it; it was started by one of the so-called large packers, and it might have been Swift. I think Swift was the first one that did it.

Mr. HENNEY. Now, at the time you were shipping live stock to Europe on the hoof, during those years that that was done by others as well as yourself, what was the situation in regard to the production of cattle in the United States? Speaking generally, I mean—were there large herds of cattle being grown in the West?

Mr. ARMOUR. Oh, yes.

Mr. HENNEY. In Texas.

Mr. ARMOUR. Yes; cattle were pretty low those days, and there were more cattle than could be—the cattle were larger in number, relatively, than the population was.

Mr. HENNEY. I see. Has that situation changed, so that the population now is relatively larger, or increasing more rapidly than the increase of cattle?

Mr. ARMOUR. That situation has changed materially; yes, sir; very much.

Mr. HENNEY. When did that commence to be noticeable? Do you know how long ago?

Mr. ARMOUR. No; I do not remember.

Mr. HENNEY. Did that have anything to do with your going into South America to do business?

Mr. ARMOUR. No; not at all.

Mr. HENNEY. When you first went into South America to do business, was there a tariff on cattle that might be brought into this country?

Mr. ARMOUR. Yes, sir; I think there was; in fact, I know there was.

Mr. HENNEY. Did it remain on there continuously until recently?

Mr. ARMOUR. Well, we have only been in South America comparatively a few years.

Mr. HENEY. About when did you go in there?

Mr. ARMOUR. We had an interest in a house over there for some years, but our own house over there—Armour & Co.—was opened a year after the beginning of the war—the second year of the war.

Mr. HENEY. That is, you mean, the European war?

Mr. HENEY. Yes; the European war.

Mr. HENEY. You do not mean to refer to when we entered the war?

Mr. ARMOUR. No; I mean the European war; the war between Germany and the allies.

Mr. HENEY. Now, the plant that you had an interest in, who owned an interest with you?

Mr. ARMOUR. Morris.

Mr. HENEY. And when did you and Morris first get that plant?

Mr. ARMOUR. That plant was bought from some people down there. I don't know the year; I can not be accurate; but probably it was three or four years prior to the war.

Mr. HENEY. In Argentine?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Well, that was along about—

Mr. ARMOUR (interposing). The war started in 1914. That may have been—

Mr. HENEY. In 1910 or 1911, was it?

Mr. ARMOUR. Yes; I am not quite certain on that, but I could get it for you accurately.

Mr. HENEY. Was there any combination among the packers down there in regard to shipping to England, back there in 1910 and 1911, when you folks first went in there?

Mr. ARMOUR. No; not so far as I know; no, there was not.

Mr. HENEY. Was there not one, which was broken up afterwards by Armour & Co. getting out of it, or your plant getting out of it?

Mr. ARMOUR. No, sir.

Mr. HENEY. There is one now, is there not?

Mr. ARMOUR. Well, I don't know what you can call it. There is an arrangement down there; but all our shipments to Europe are guaged by the boats that are given us by England, and our shipments—all the shipments from South America—go to England and the allied countries; they do not come to America at all. There is no beef that comes to America from South America since the war. There has been none, practically, since the allies went into the war; since the beginning of the European war; and there has not been any at all since we went into the war.

Mr. HENEY. Has there been much of any that has gone to Europe since we went into the war, from South America?

Mr. ARMOUR. Yes, a great deal; in fact, there has been more that has gone to Europe since we went into the war than there was before we got into the war.

Mr. HENEY. Was that mostly sales to the allied Governments?

Mr. ARMOUR. Yes, sir. There was some of it went to the trade, but comparatively very little.

Mr. HENEY. Now, there is the situation—

Mr. ARMOUR (interposing). I will say to you now, for your information, that all the beef that went to the trade went by allowance

from the English Government, by consent of the English Government. They told us how much we could ship to the trade, and how much they wanted. In other words, they took the output of all the plants over there; they bought the whole output, and then they would give to the trade what they thought was necessary.

Mr. HENEY. And they paid you for the whole output, did they?

Mr. ARMOUR. No; they paid us for what they took, but they had a call on the whole output.

Mr. HENEY. And what they allowed you to sell to the trade——

Mr. ARMOUR. We got the market price for that.

Mr. HENEY. And did they put any restriction on prices?

Mr. ARMOUR. Oh, I guess they did, from time to time. Sometimes they did and sometimes they did not, I think.

Mr. HENEY. What is the situation in Argentina? Can they produce cattle cheaper there now than they can and do produce cattle in the United States?

Mr. ARMOUR. I think they can and do.

Mr. HENEY. Do they have the condition of large grass ranges, of public land, such as we had in this country years ago?

Mr. ARMOUR. I think so.

Mr. HENEY. That still prevails down there, does it?

Mr. ARMOUR. I understand so.

Mr. HENEY. Well, prior to the European war, did this concern which Morris and you were in together ship any cattle into the United States, or any beef into the United States?

Mr. ARMOUR. They may have shipped some, but comparatively little. I do not know when their duty was taken off, but there was not any great quantity shipped in. I do not think it was off long enough.

Mr. HENEY. Well, was the duty too high to enable you to ship it in here and sell it?

Mr. ARMOUR. When the duty was on?

Mr. HENEY. Yes.

Mr. ARMOUR. Oh, yes, sir.

Mr. HENEY. What was the duty?

Mr. ARMOUR. Was it a dollar a head?

Mr. HENEY. I do not recall.

Mr. ARMOUR. I don't remember myself; I don't remember what it was, but it prevented South American beef coming in, and it had only begun to come in here when the duty was taken off, and then it did not come in in any large quantity, because the war came along, and there was demand for the beef in Europe, and you could not get any in here anyway, because there were no boats running.

Mr. HENEY. Was there not more than a dollar's difference in the value of cattle there in Argentina and up here, on the hoof?

Mr. ARMOUR. Well, I think there probably was; but there was very little of any beef that came in here, because I think there were not very many boats running between Argentina and here. You could not get many boats. It was more a question of boats than it was a question of price.

Mr. HENEY. Does Armour & Co. own any refrigerator boats?

Mr. ARMOUR. No, sir.

Mr. HENEY. Did this concern of Armour and Morris own any?

Mr. ARMOUR. No, sir.

Mr. HENEY. You depend on leasing space, do you?

Mr. ARMOUR. Leasing days. We buy space the same as you might anything else. We might lease space for six months or three months, just the same as ocean-going space is leased. We might lease it for one trip or might make a contract for a year or two years. That is the way it is done in Europe, I believe.

Mr. HENEY. To what do you attribute the fact that the so-called big five packers have forged ahead of other packers in the country?

Mr. ARMOUR. In this country?

Mr. HENEY. Yes; in this country, in the volume of business.

Mr. ARMOUR. Well, in any industry there will be people that are perhaps willing to work a little harder, and perhaps willing to take a little more chance, and perhaps are willing to add more things to their business, to go into further details of the business, than other people are; and so I attribute it to the same reason that in any industry—not only in the packing industry but in any other industry—there will be a certain lot of people who will be willing to work themselves out and do a large business. And I presume it is perhaps attributable to their being able to work harder, and perhaps somebody else will work, and perhaps having the desire for a larger business. You know some people do not like a large business. Some people would not take my business if it were offered to them, and at times I do not blame them, either.

Mr. HENEY. I hope you won't offer it to me, Mr. Armour.

Mr. ARMOUR. Well, I don't know. I thought I had something against you, and I don't know—if I had a great deal against you, I might offer it to you.

Mr. HENEY. Has your business reached the point where you are depending on volume, or have you for some years been aiming at volume?

Mr. ARMOUR. Why, Mr. Heney, volume, without it is intelligently directed, is no good. I want to answer your question—but you have got to have both.

Mr. HENEY. Yes. I just want you to give your view on that.

Mr. ARMOUR. Well, you know volume in itself will not make a man any money; it won't pay his bills. Now, volume that has some sense and intelligence back of it is certainly a good thing, because when you get to have a large business your overhead is very large. I know I have not been able to run the business since it has gotten large with the same price list that it was run when it was small. You pay your men more, and they develop into better men, and they are worth more to you. So that, in answering your question, volume by itself does not mean anything, but volume intelligently directed and run means a great deal.

Mr. HENEY. Well, is it your idea that it is to the advantage of the consumers in this country, and also to the producers, if a few concerns get such a business that they can probably take care of the entire business of the country rather than to have it spread out into a great many smaller factors?

Mr. ARMOUR. Why, naturally, I would think so, because that is the same position I am in. I do not think so simply because I am in that position. I do not think if the volume of business of Armour

were cut down very perceptibly that we could afford to do the business on the percentage of profit that we do it now. The only reason we can afford to do business for 9 per cent in one case or 1.8 per cent on our volume is because our volume is so very big. If our volume were small we could not afford to do that. But there is no small packer that does business on that percentage. He could not afford to do business on it.

Mr. HENNEY. Then you are still aiming to increase your volume, are you not?

Mr. ARMOUR. That is a very leading question, because I presume that if the country grows I will be very sorry if Armour & Co. does not grow with the country. I would think there would be something radically wrong with Armour & Co. or with me if we did not increase with the increase or the growth of the country.

Mr. HENNEY. And you want to keep as close to the volume of Swift & Co. as you can?

Mr. ARMOUR. I have been trying for 20 years.

Mr. HENNEY. And pass it if you can?

Mr. ARMOUR. I have been trying to for 20 years.

Mr. HENNEY. As a matter of ambition?

Mr. ARMOUR. Naturally.

Mr. HENNEY. Now, in the beginning, let us go back to 1885. Were there more people struggling, one to get ahead of the other, in the business then than there are now, whom you felt to be competitors worthy of your steel?

Mr. ARMOUR. Why, yes. It may take me a few words to tell you this.

Mr. HENNEY. Take your time.

Mr. ARMOUR. I think I understand what you want, and I want to give it to you.

Mr. HENNEY. Take your time about it, then, and tell us.

Mr. ARMOUR. A good many years ago there were quite a number of people in the packing industry, and most of the people in the business were in the hog business. There were some very successful people in the business. Then Swift & Hammond started in the beef business, and we started in the beef business. I will say very frankly to you if we had not started in the beef business there would have been no Armour & Co. at all, because the beef business revolutionized the business. Then we started building branch houses; and when we got a branch house we found people would not buy hogs alone; they wanted a little beef; they wanted some hogs and they wanted some fresh pork and they wanted some sausage.

Now, there were only two or three people in Chicago that wanted—the other people in the packing business were rich. They had plenty of money, and perhaps they did not have much ambition to have any more. I think they had all they wanted. Some people get to a point when they get money and get a big business and they want to quit. That is a natural thing, perhaps, that is found in the ordinary man. Not that the packers are anything else but ordinary, but that is the ordinary desire. A fellow wants to quit when he gets some money and is able to get out of business and spend his money. Now, there were three or four packers in Chicago that did not want to do that. They did not stay in the business just for the money in it,

but they stayed in it because they liked it, and they liked the way of doing things; so that some of the other people that were in business quit business.

Mr. HENNEY. Whom have you in mind now?

Mr. ARMOUR. Well, Fowler Bros. They quit the business. Then there was Henry Botsford. He is still alive. He is an old man now, and he has been a very successful man. But he did not seem to want to go into the business as it developed and required all these different qualities. He was a very smart man and a very able man, but you know a man in this business has to have a peculiar kind of a disposition. Ordinary things ought not to bother him in order that he should be successful. Perhaps I am talking too much, but am trying to answer your questions without being too long drawn out. A lot of these men did not want to go into the different kinds of business that the packers that are now in it wanted to go into.

Mr. HENNEY. Well, was Fowler in the cattle business at the time he sold it?

Mr. ARMOUR. To a small extent. Now, Mr. Bosford would never go into the cattle business. He did not like it and he did not want to go into it.

Mr. HENNEY. What was the name of his business?

Mr. ARMOUR. The Chicago Packing Co. He sold it out at a very big price to a foreign syndicate, and the foreign syndicate would not take up these other different businesses. If I am not correct, I hope Mr. Mayer will correct me.

Mr. HENNEY. What was the name of that company?

Mr. ARMOUR. The Chicago Packing & Provision Co. They finally did not do well, because they would not add these side lines which it was necessary to have in order to succeed, in order to be successful.

Mr. HENNEY. Have you anyone else in mind?

Mr. ARMOUR. Well, the International Co. There was an International Co. in Chicago.

Mr. HENNEY. Who were they?

Mr. ARMOUR. They were composed of a lot of men that had been in the packing business and were rich men, and they did a very successful business for a while; and then they did not want to, for some reason, branch out, and they finally closed up.

Mr. HENNEY. Hammond seemed to be very active. What became of them?

Mr. ARMOUR. Yes; they were very active.

Mr. HENNEY. And what became of them?

Mr. ARMOUR. Mr. Hammond, who was the pioneer of the business, died, and he left one boy that I know of—perhaps some more that I do not know of—and this young man that I know of did not particularly want to work; he had lots of money; and he finally wanted to sell out. He offered his business to us, but we did not buy it. And then he went along and got some Eastern capital in his business, some Eastern people in his business to run it; and they ran it for a while; and then the National Packing Co. was formed, and the National Packing Co. bought them out.

Mr. HENNEY. Who was James Standish? Was he in the business?

Mr. ARMOUR. Yes; he was in the Hammond Co.

Mr. HENEY. Oh, he was in the Hammond Co.?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Is he any relation to Hammond Standish, of Detroit?

Mr. ARMOUR. He was the original Hammond Standish, and I think his boy or somebody else is running the business. Mr. Standish has retired. I do not know whether he is still alive or not; and, if he is alive, he is an old man.

Mr. HENEY. I notice his name on the board of directors of Armour & Co.

Mr. ARMOUR. No; he is not on the board now.

Mr. HENEY. The Fowler Co. and the Hammond Co. and this other company you mentioned, Bosford's, were all three bought by the National Packing Co., were they not?

Mr. ARMOUR. No, sir. The Hammond Co. and the Fowler Co. were bought by the National Packing Co. Then Henry Bosford sold out his company to an English syndicate, and that is probably why he is rich to-day. They finally sort of dried up, I guess, and I think Swift & Co. bought their plant.

Mr. HENEY. Did he buy it about the time——

Mr. ARMOUR (interrupting). Oh, no. This was long before the National Packing Co. was ever thought of.

Mr. HENEY. You say that going into the cattle slaughtering revolutionized the packing business. In what way? How do you work that out?

Mr. ARMOUR. When a man was in the hog business years ago, which was the business that everybody in the country was in, cattle were killed, but they were killed in local, small ways, and there was no refrigeration. They were killed just for local use.

Mr. HENEY. That was because it was a perishable product?

Mr. ARMOUR. That was because it was a perishable product. Hogs were killed because they could salt them and they could keep them, and there was no need for branch houses in those days. In fact, we did not know anything about branch houses. They did not know anything about refrigeration. In fact, in the old days, a good many years ago, hogs were only killed in the winter, and nobody thought of killing hogs in the summer. They only worked in the winter and did not do anything in the summer. They sold their product and did not do much of anything. The people would kill their hogs in the winter; they went along for some time, and somebody—I don't know who it was—thought of building a cold storage for the hog business, and they did, and then the hog business became an all-the-year-round business; and then after that somebody invented the refrigerator car, and when that was invented not everybody but some of the people who went in the hog business—Armour & Co. was a large concern even then, although they were not doing anything but a hog business—then the refrigerator car was invented. When the refrigerator car came, instead of shipping live cattle they gradually got out of that business and got into killing the cattle and hogs; and then we got to the killing of cattle, although we were killing hogs for many years before, and nobody had any branch houses then. They used to ship these cars down here, these beef cars, and sell the beef out of the cars, a very crude way. People would come to the cars and buy their beef the same as they now come to the branch houses.

Mr. HENY. Did you originally own those cars or did the railroads furnish them?

Mr. ARMOUR. No; the railroads never furnished any cars. We were very anxious to have the railroads furnish cars. We begged them and wanted them to furnish cars, as we naturally had very little money those days. Nobody had any money. They had some business and some ideas but no money.

Mr. HENY. This thirty-three millions of surplus——

Mr. ARMOUR. No. This dates away back of that. I thought you were talking about away back.

Mr. HENY. I am. I see now.

Mr. ARMOUR. Is that what you want?

Mr. HENY. Yes.

Mr. ARMOUR. If I am telling you something you do not want, tell me, because it will save a lot of talking.

Mr. HENY. I beg your pardon.

Mr. ARMOUR. It dated away back, and then, after they got into the beef business the people who did not take up the beef business gradually got out of business. They could kill hogs, and they did for many years, but they did not ever become very big, because you could not become very big, because you had to sell your stuff on the board of trade and to brokers. After many, many years we went and built the branch houses and went to the trade direct.

Mr. MAYER. That is, you mean by "the trade" the retailers?

Mr. ARMOUR. Oh, yes. We are not in the retail business.

Mr. HENY. Your cold-storage plants in the different cities, or your branch houses, as you call them, are really wholesale markets, are they not?

Mr. ARMOUR. Yes, sir.

Mr. MAYER. You do not quite mean a wholesale market in Mr. Heny's sense, do you, Mr. Armour?

Mr. HENY. The idea I have in mind, I think, is the same as his; the retail butchers came there to buy?

Mr. ARMOUR. We call them wholesale markets. I think Mr. Heny is correct.

Mr. HENY. Why do you think the five big packers handle a larger percentage of the cattle business than they do of the hog business of the country to-day?

Mr. ARMOUR. The hog business was everybody's business years ago, and a lot of people went right on with the hog business, and did a local business, and never branched out into the cattle business, and the big packers went into the cattle business, and naturally they would handle a bigger percentage, because it took the place of shipping live cattle, which was the old business, and shipping live cattle can not compete with the shipping of dressed beef.

Mr. HENY. That is on account of the shrinkage of live cattle, and the payment of freight on waste, is it?

Mr. ARMOUR. Yes, sir; Swift and Hammond were originally live-cattle shippers. That was their business. That was the way the East got their beef before the refrigerator car was known. They shipped cattle alive down East, to the different towns, and they would be slaughtered down there. That was Swift's business and Hammond's business, and a good many other people's business.

Mr. HENEY. What was the largest market in the country then?

Mr. ARMOUR. For what?

Mr. HENEY. For beef; for cattle. I mean, wasn't Chicago the central point from which cattle was shipped to the East?

Mr. ARMOUR. Yes; Chicago was the first market.

Mr. HENEY. And Chicago became the first real stockyards market, did it?

Mr. ARMOUR. Yes, sir. There were eastern markets, of course. There were Buffalo, and Albany, and Boston; but Chicago was the big market.

Mr. HENEY. How long was it before Kansas City commenced to be a market, or was it the next place?

Mr. ARMOUR. I think probably that was the next place. I know that we went out to Kansas City and built a house long before I was in the business, and it was a very small town, naturally, and we went out there to get nearer to the production of cattle and hogs. We went out there for the same reason, so that we would save the shrinkage on the hogs instead of shipping them into Chicago, and that is the basic reason why there is an Omaha to-day and a Sioux City to-day, and a St. Paul to-day, and a Kansas City to-day.

Mr. HENEY. That is, there is a saving in slaughtering at those places and shipping the carcass from there, we will say, to New York?

Mr. ARMOUR. Yes.

Mr. HENEY. There would be a saving over slaughtering at Chicago?

Mr. ARMOUR. Yes.

Mr. HENEY. If the cattle came from the West?

Mr. ARMOUR. If the cattle came from the West; yes, sir.

Mr. HENEY. Do the greater part of the cattle that are slaughtered come from the west of the Mississippi River?

Mr. ARMOUR. I would not say that.

Mr. HENEY. I mean that are slaughtered by the five big packers?

Mr. ARMOUR. I do not believe I can answer that question. You may have it; I do not know.

• Mr. HENEY. No; I have not got it.

Mr. ARMOUR. Our records would show it. I mean, I can get it for you because it is just a matter of record.

Mr. HENEY. I have a belief on it, but I have not any facts.

Mr. ARMOUR. If you want it, I can get it for you.

Mr. HENEY. I think I would like it. I think the committee would find it of some importance.

Senator NORRIS. That was shown by other witnesses here, that that was true.

Mr. ARMOUR. I think probably it is true.

Senator NORRIS. Other witnesses testified to that fact. The manager of the Chicago Stockyards Co. testified to that fact.

Mr. ARMOUR. If you take in all the western points, we kill more cattle at our Omaha, Kansas City, and Sioux City yards than we do at Chicago.

The CHAIRMAN. You mean at each one of them, or the three of them taken together?

Mr. ARMOUR. No; the three taken together. At any one we do not kill as many as we do at Chicago.

Mr. HENEY. But probably you do any two of them, combined?

Mr. ARMOUR. I think so.

Mr. HENNEY. Your records will show that very clearly?

Mr. ARMOUR. They will show it very clearly.

Mr. HENNEY. Do you know approximately what the saving would be in killing cattle, we will say, in St. Paul, over killing cattle in Chicago, for shipment to eastern points?

Mr. ARMOUR. That depends a good deal on the kind of cattle—I mean on the quality of cattle. That would enter into it. There might be a saving. Of course, that varies a good deal on account of what you are able to get for your by-product. I mean, it is not the same every week of the year, because the market in by-products might be better up there for some reason or other, or it might be better in Chicago or worse in Chicago. I would say, possibly, a quarter of a cent, probably more. But I do not want to answer that question. However, I will get it for you.

Mr. HENNEY. It would amount to as much as you think your entire profit is on a head of cattle?

Mr. ARMOUR. That would be a difficult question. I would rather get you the exact data than to state it to you.

Mr. HENNEY. I have here a letter from Charles H. Swift, or a copy of one, to Messrs. Louis F. Swift and Edward F. Swift, dated Chicago, October 31, 1916, which I would like to read you and get your advice on.

(Mr. Henney thereupon read from the letter referred to, as follows:)

CHICAGO, October 31, 1916.

MESSRS. LOUIS F. SWIFT, EDWARD F. SWIFT:

We are, whenever necessary in order to get them killed, shipping live cattle from St. Paul to Chicago. Mr. Chaplin advises, as against killing the same cattle at St. Paul, this increases their dressed Chicago cost about 29 cents per hundredweight.

Mr. ARMOUR. That is a quarter of a cent a pound.

Mr. HENNEY. I was just going to say he is very close to you on that.

Mr. ARMOUR. That would be my guess.

Mr. HENNEY. That would amount to \$1.59½ for a carcass that dressed 550. That 1,000-pound animal would dress 550, would it not?

Mr. ARMOUR. Yes.

Mr. HENNEY. That is more than you claim to make on a head of cattle?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. He says that "Armour and Wilson have both shipped considerable cattle from Chicago to Kansas City."

Mr. ARMOUR. Cattle or beef?

Mr. HENNEY. Cattle, he says. He continues:

Mr. Chaplin advises as against killing the same cattle at Chicago; this increases their dressed Chicago cost 92½ cents per hundredweight.

Which would be, on a 550-pound carcass, \$5.08.

Mr. ARMOUR. About \$4 a head.

Mr. HENNEY. A little over \$5.

Mr. ARMOUR. Yes; that is right.

Mr. HENNEY. Then he says:

Armour has also shipped from St. Paul to St. Joseph. Mr. Chaplin advises as against killing the same cattle at St. Paul; this increases their dressed Chicago cost 79½ cents per hundredweight.

Which would be \$3.27½ per head. Mr. Chaplin is known as the best expert that Swift has on figures, on the cost of cattle, is he not?

Mr. ARMOUR. I do not know that.

Mr. HENEY. I thought it was a matter of quite general reputation.

Mr. ARMOUR. I would not know that he was the best. I would not undertake to pass on that.

Mr. HENEY. I would not, either.

Mr. ARMOUR. I can not pass on Swift's men.

Mr. HENEY. I am talking about his reputation.

Mr. ARMOUR. I can not pass on Swift's men.

Mr. HENEY. If these figures are at all accurate, it would seem to indicate, would it not, that there would be a tremendous saving to the consumers if cattle were slaughtered nearer the point of production than Chicago is?

Mr. ARMOUR. Yes, sir. Go on.

Mr. HENEY. For a vast quantity of the cattle that are purchased and used in the East are slaughtered by the five big packers. What do you think as to that?

Mr. ARMOUR. That is true, undoubtedly, relatively true. A good many years ago—you may know about it, although it dates away, away back—some French count went out to a place called Madora, away out in Montana, and opened a slaughterhouse, and he got his cattle right around the door. I am telling you this because you have to have a market for your by-products. That is not too far away from your production. Do I make myself clear to you?

Mr. HENEY. Yes.

Mr. ARMOUR. It might be true for 500 cattle, and it might not be true for 1,500 cattle, although it is nearer true to-day than it has ever been, because the method of refrigeration has been so improved, and the distance that you can send dressed beef, and the offal, is so much greater than you could 15 years ago.

Mr. HENEY. There is no by-product that is sold very largely locally, where the cattle are slaughtered, is there?

Mr. ARMOUR. No. There is always the fresh meat. There is always a certain amount of fresh meat, and always a certain amount of the by-product that is sold. It may not be a perceptible amount, but it does cut some figure.

Mr. HENEY. By "by-product" now, have you in mind such things as sausages?

Mr. ARMOUR. Yes; and different things, and you have to have a market for them right there. You can not ship them too far by freight.

Mr. HENEY. Of course, you can handle the sausage all right by refrigerator cars?

Mr. ARMOUR. Oh, yes; you can, but they do not, you know. Theoretically you can, but you do not, because everybody nowadays is putting sausage machines in and doing the sausage business at their branch houses, because the people want fresh-made sausage as against sausage that is shipped any distance.

Mr. HENEY. And you have lots of competition in sausages, have you not?

Mr. ARMOUR. Yes.

Mr. HENEY. From little fellows who do nothing but make sausages?

Mr. ARMOUR. Yes.

Mr. HENNEY. And they buy the raw material from the big packers and then make sausage and compete with the big packers on the sausage, do they not?

Mr. ARMOUR. They buy what they can from the big packers. They buy anywhere they can; lots from the big packers and also from the small packers.

Mr. HENNEY. And you can pay 15 cents for meat that you put into sausage and sell the sausage for 8 cents and make money, can you not?

Mr. ARMOUR. You used to, but you can not do those things nowadays as easily as you could years ago.

Mr. HENNEY. The sausage absorbs a lot of water to start with?

Mr. ARMOUR. It does. But those things are, after all, nowadays just a matter of competition. It is a good deal of what your neighbor does.

The CHAIRMAN. There is not anything that sells for 8 cents now, is there?

Mr. HENNEY. The big by-product is the hide, is it not?

Mr. ARMOUR. Yes; I would say so, the hide and the fat.

Mr. HENNEY. The hide can be handled all right. You do not need your local market for that?

Mr. ARMOUR. Oh, no; except that, of course, you do not want to ship your hide too far.

Mr. HENNEY. What does your fat go into?

Mr. ARMOUR. The fat goes into butterine and oleo oil.

Mr. HENNEY. Your hide has to be shipped at some stage of the game the same distance, anyhow, whether it is in the live animal or not?

Mr. ARMOUR. I agree with you, as far as Omaha and all those western towns are concerned. If it was not so, we would not have packing houses there or the yards and the packing houses would not be successful.

Mr. HENNEY. I would like to call your attention to a copy of a letter taken from the Swift files, which is dated Chicago, June 23, 1916, marked "private," and which reads as follows:

PRIVATE.]

CHICAGO, June 23, 1916.

MESSRS. LOUIS F. SWIFT, EDWARD F. SWIFT:

Referring Henry Veeder's letter June 13 to L. F. S. regarding Borland resolution, in which Mr. Meeker is quoted as saying that Armour made a profit of \$1.19 per head on cattle for certain period (ours for same period \$1.28 per head):

Mr. Chaplin understands that Armour's includes their canners, which ours does not; part of their sausage results, and has 10 per cent added per head for good measure for by-products transferred at market prices, which ours does not.

If our and Libby's cattle were thrown together for the period, without including sausage or anything for good measure, it would bring ours up over \$2 per head.

Mr. Chaplin didn't think there could be as much difference as this, but checked it pretty close and understands definitely that theirs includes all of the above-mentioned, which ours does not.

CHARLES H. SWIFT.

Do you have any personal knowledge on the question as to how this profit of \$1.19 per head is figured?

Mr. ARMOUR. No; I do not. Of course, I never saw that letter, and I do not know what Meeker gave them. That is the first I have heard of that.

Mr. HENEX. There has been considerable advertising done by Armour & Co. as to how much they make per head, has there not?

Mr. ARMOUR. Yes, sir.

Mr. HENEX. What is it per head that you claim?

Mr. ARMOUR. What is it—a dollar a head?

Mr. HENEX. It was given here as \$1.19.

Mr. ARMOUR. That is for a certain period.

Mr. HENEX. You say it is about a dollar a head?

Mr. ARMOUR. About a dollar a head, I think, we make. It may be a dollar and a quarter.

Mr. MEYER. The statement states a dollar a head.

Mr. ARMOUR. A dollar a head I think it is.

Mr. HENEX. How do you figure that dollar a head?

Mr. MEYER. He compares a dollar a head to the \$50 a head made by the live-stock grower.

Mr. HENEX. Mr. Meyer says you compare that with the \$50 a head made by the grower.

Mr. MEYER. The shipper.

Mr. HENEX. You make that dollar a head in two weeks' time from the time you buy it, do you not?

Mr. ARMOUR. I presume we do, but that is on the average.

Mr. HENEX. How long do you think it takes the shipper to mature the animal to the point where he gets his \$50?

Mr. ARMOUR. It probably takes him three years. It depends, of course, on whether he is buying cattle and feeding them, or whether he is growing cattle. I am not finding any fault with the shipper making \$50 a head. We are glad if he does.

Mr. HENEX. If he grows them, he has probably been three years at it, and taking his chances of drought, or blizzards, wherever he happens to be located?

Mr. ARMOUR. Yes. I am not taking any issue with anybody making all the money he can.

Mr. HENEX. You would not know whether that dollar a head includes sausage results?

Mr. ARMOUR. I would not know, but I rather guess it does, although I would not know, because I have not seen that letter. I could not answer intelligently about that.

Mr. HENEX. Of course, this letter is written by Swift. It is his comment on Meeker's statement that it was \$1.19 per head, and he does not say that Meeker said it included those. He says that is Mr. Chaplin's understanding.

Mr. ARMOUR. I do not know, of course.

Mr. HENEX. Do you think that there would be that much difference between you and Swift, nearly 100 per cent, on the amount of the profit you would make on an animal?

Mr. ARMOUR. I hope not, because if there were, we would not be in business very long. That might be for one period, or something like that, but on the average, no.

Mr. HENEX. What is the method of getting at the question of how much profit you make per head on an animal?

Mr. ARMOUR. We buy the animal, buy these loads of cattle. It might be 20 cattle in one load, or 50 cattle. We ship them over to the slaughterhouse and kill them, and we credit up, after it is killed, as near as we can come to the different prices, by-products. We credit the hide and we credit the fat and we credit the head, and we credit everything that comes off, and leaves the dressed beef just as it goes down here.

Mr. HENNEY. How much did you add for killing—slaughtering?

Mr. ARMOUR. We used to add \$1.75. I think we add \$2.75. I will be very glad to have you sent, if it will be of any assistance to you, one of our killing tests. There is no secret about them. You may have had them.

Mr. HENNEY. I am not personally interested in it, Mr. Armour. It is for the committee's benefit I am asking for this information.

Mr. ARMOUR. I say "You." I did not mean you individually. I meant you in your official capacity, if you have one.

Mr. HENNEY. I have not any.

Mr. ARMOUR. All right.

Mr. HENNEY. You have what you call a test cost?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. In getting up that test cost, you say you charge these by-products up against the total cost of the animal. How would you get at the price of the hide of an animal you are killing to-day?

Mr. ARMOUR. I could not personally answer that question. We have what we call a pricing committee, and that pricing committee meet whenever it is necessary, every week—or I do not know how often, or I guess perhaps every week—and they makes the prices, as between all the departments, and then when it is necessary to change those prices they change them. Armour's business is run, and I understand all the other packers are, too, running departments, and we are very anxious, for our own information, to know that one department does not get their goods any cheaper than the market; and as this pricing committee is made up by different people from different departments, they naturally see to it that one department does not get the advantage of the department that they are in on prices. Do you follow me?

Mr. HENNEY. I follow you.

Mr. ARMOUR. And because each man who runs a department naturally takes great pride in the results that he can send to Armour & Co. of his profits and losses in that department, so it is to our interest to be as accurate as it is possible to be in our transfer prices.

Mr. MEYER. With your permission, may I say that the price committee is made up of persons in the employ of Armour & Co.?

Mr. ARMOUR. I said so.

Mr. HENNEY. I assumed that was what you meant.

Senator NORRIS. I think it was plain. I understood it that way.

Mr. HENNEY. The branch-house managers want to make a profit and want to make a good showing.

Mr. ARMOUR. Oh, yes.

Mr. HENNEY. But those branch-house managers have not anything to show what the original cost of the meat shipped to them is?

Mr. ARMOUR. No.

Mr. HENNEY. That is shipped to them tagged?

Mr. ARMOUR. We ship the meat to them usually so much below the market. You know, there is usually a market on everything. We do not make the market. We do not get the market out of the air. There is usually a market that commonly is well known by everybody, as the price of any railroad stock would be known to the public on the stock exchange.

Mr. HENRY. That is to say, we all know what we paid last week for meat?

Mr. ARMOUR. Yes. I did not know that you were talking about meat. I thought you were trying to arrive at the way we killed our cattle, and we charged our by-products to our different departments.

Mr. HENRY. I was going to arrive at that, but I had taken up the question of branch houses.

Mr. ARMOUR. I know that. But you said that our branch house men had nothing to do at arriving at the price at which the articles were charged to them. I say, no; they do not have anything to do with it. But the prices at which the articles are charged to them are well known to everybody. That is why I tried to compare that with the price of the railroad stock on the stock exchange. It is pretty generally known, not by us, but by Swift, and by anybody who is in the packing business. In other words, livers have a value; there is a market for livers, there is a market for pigs' feet. There is a market for everything. We do not make that. There is a market made by everybody who is in the business, by the buyers and sellers.

Mr. HENRY. A man in the mercantile business figures that he wants to make a certain percentage on his cost, and he adds the percentage of profit, and expects to make the price cover his overhead and give him a profit, and then he tries to get that price.

Mr. ARMOUR. Yes, sir.

Mr. HENRY. And some merchants try to get at the price the particular customer will pay, and do not sell the same to all.

Mr. ARMOUR. Yes.

Mr. HENRY. You folks ship your meats to your branch houses with a cost on them, do you not?

Mr. ARMOUR. I believe so.

Mr. HENRY. That is to say, you advise the branch-house managers that this meat, this particular shipment, cost so much?

Mr. ARMOUR. Yes.

Mr. HENRY. And he has to try to get that cost or a certain amount above?

Mr. ARMOUR. Yes.

Mr. HENRY. And that has been going on ever since the branch-house system has been in existence, has it not?

Mr. ARMOUR. Yes, sir. That is why there is such a great difference in the results of branch houses, just because there is a great difference in managers, in our men.

Mr. HENRY. Some of your branch houses are running at a loss, are they?

Mr. ARMOUR. Oh, indeed, yes. When we have a good manager in our branch house, usually we have good results, but when we have a poor manager, we do not get as good results. It is more or less, though not entirely, dependent on how good a man he is, and

that is why we charge these goods to him, and then, if he is a very good man, he is like any other man, he gets a very good salary; and if he is a very poor man, and does not run the branch house more than ordinarily well, he either gets an ordinary salary, or he does not stay there.

Mr. HENEY. How long has Armour & Co. been tanning leather? When did they first get into that business?

Mr. ARMOUR. I would say possibly 7 or 8 years, probably 10. I do not know. Time goes pretty fast, but it is perhaps 10 years.

Mr. HENEY. Before you got into the tanning of leather you did not have any department that was very much concerned about the cost of hides; that is the prices at which hides were charged up to that department, did you?

Mr. ARMOUR. We charged up the hides to that department as we could guess what the market was.

Mr. HENEY. If you charged up the hides for more than they were worth, you apparently made a larger profit on your meat?

Mr. ARMOUR. Yes; and took a bigger loss on our hides when we sold them.

Mr. HENEY. And if you charged them at less than they were, you made a smaller profit on your meat?

Mr. ARMOUR. Quite naturally.

Mr. HENEY. And you could charge the hides up at anything less than they were worth so that your profit on your meat would disappear entirely?

Mr. ARMOUR. We could; yes.

Mr. HENEY. And you would still make just as much money at the end of the year as you made the other way?

Mr. ARMOUR. Yes.

Mr. HENEY. So it is a mere matter of bookkeeping?

Mr. ARMOUR. Yes; foolish bookkeeping, but it is bookkeeping.

Mr. HENEY. Yes.

Mr. ARMOUR. But foolish bookkeeping, from our standpoint.

Mr. HENEY. Your hides are not going to be cured for 25 to 30 days, and they may not be sold for 6 months, you say?

Mr. ARMOUR. No, sir.

Mr. HENEY. Then how do you know how much you made on the meat of that particular animal? You charge off the hides at the time the animal was slaughtered, at the then market price of the hides, do you?

Mr. ARMOUR. Yes; at the market price of the hides. Or, if we think hides are going down, we might charge them under the market price. You mean the way we are doing to-day?

Mr. HENEY. Yes.

Mr. ARMOUR. If you would allow me to go back a little, if you would like to know this—

Mr. HENEY. I would like to know; yes.

Mr. ARMOUR. I do not think it is practically important. But I would be very glad to explain it to you. We have a hide department, a leather department, a tanning department, and it is quite separate from Armour & Co. It is run by the president of the Armour Leather Co. He runs that business practically as if he owned it. We happen to have great confidence in him, and he runs it just as if he owned the business. We do not give him very many orders—very

few orders. In fact, he told me the other day he wished he had had more orders. But he runs it now as if he owns it. He either buys Armour & Co.'s hides or he buys hides anywhere else he wants to buy them.

All we ask him to do is to give us the preference when he can buy hides at the same price, when he can buy our hides at the same price he has to pay anybody else; all we ask is that he give us the preference. That is practically the only order he has. There is a market on hides. We sell perhaps 40 per cent of our hides, or we might sell 30 per cent of our hides, depending on how good a customer the Armour Leather Co. is to us. So that we credit up the hides at what we think is the market price. The market price is made by the Armour Leather Co., the United States Leather Co., and all other people who are in the tanning business, and there are many of them.

Senator NORRIS. Would not a charge made on the books of Armour & Co. proper be the same for the hide that the leather company has on its books?

Mr. ARMOUR. Yes, sir. The Armour Leather Co. buys their hides from us, just as if we were a separate concern, and Mr. Boyd's business is to make money for the Armour Leather Co.

Senator NORRIS. You find out how much you are making on a steer is what I am getting at. Is that price the same as the Leather Co.'s books would show they paid?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. You said a while ago that sometimes you put that in at less than it has cost, if you thought hides were going down.

Mr. ARMOUR. We have an intermediate department, what we call the hide department. We charge all the hides to the hide department, and then to arrive at the profit or loss we make on our cattle we have to take the beef, the hide department, and the profit we make in the leather department. Is that plain to you?

Mr. HENRY. Yes. But your hide is charged off to-day. You slaughtered, and your hide is charged off to-day, and you may not sell that hide for six months.

Mr. ARMOUR. Yes.

Mr. HENRY. Is not that true?

Mr. ARMOUR. Yes.

Mr. HENRY. You rarely sell it before 30 days?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. There may be quite a change in the price of hides in 30 days?

Mr. ARMOUR. Yes. It might go up or down.

Mr. HENRY. So that the price you charge off to-day may not be the price that the hide of that particular animal that you are giving the cost of the beef on brought at all.

Mr. ARMOUR. No; it might not.

Mr. HENRY. Is not that true with the other by-products?

Mr. ARMOUR. Not so much true as it would be there, because the other by-products are sold quickly.

Mr. HENRY. All of them?

Mr. ARMOUR. Oh, yes.

Mr. HENRY. Take the animal fertilizer. Is that sold quickly?

Mr. ARMOUR. No; I do not think it is.

Mr. HENEY. Is soap sold quickly?

Mr. ARMOUR. No. But we have, for instance, what we call a hide department. In order to get the price of beef, you add the profit or loss there may be in that hide department, and the carcass beef department. If there is a profit at the end of the year, the beef department gets it. If there is a loss, they have to stand it. So that absolutely we know just as near as it is possible to know.

Senator NORRIS. Are the profits or the losses of the leather company separate and distinct from those of Armour & Co. proper?

Mr. ARMOUR. No, sir; they are given here in this report.

Senator NORRIS. They all come in the same company? In other words, that is another department, is it not?

Mr. ARMOUR. I know what Mr. Heney apparently wants to know. He wants to know if we are fooling ourselves, or trying to fool anybody else, if we can not make one department show better than another. We can. A man can do most anything if he wants to do it. But you can not do anything when you add all the departments up and cut them off, and that is Armour & Co.'s business. That is what our statement shows down there.

Senator NORRIS. You try to keep your figures of profit charged to each department accurate?

Mr. ARMOUR. Naturally we do. I do not want to use his words, but, in other words, we are not trying to fool Armour & Co.

Mr. HENEY. That is not the idea. I do not have any idea you are trying to fool Armour & Co.

Mr. ARMOUR. We may make mistakes.

Mr. HENEY. We want to get the elements that go into your statement when you say you make a dollar on the steer.

Mr. ARMOUR. I have tried to answer the question.

Mr. MEYER. If the leather department makes a profit, it also shows in the balance sheet.

Senator NORRIS. Yes; it would not make any difference, though. If you wanted to, you could charge it at any figure you wanted?

Mr. ARMOUR. Yes, sir. This balance sheet here includes all of Armour's business, leather, and everything else we do.

Mr. HENEY. Mr. Armour, do you mean to say that the profits you make from the hide are included in the dollar a head?

Mr. ARMOUR. Yes; I think they are. I can not answer that. I can answer this, that the profits we make from Armour & Co. are in there. I will look that up and see. I do not know that they are.

Mr. HENEY. No. I think you are mistaken.

Mr. ARMOUR. I do not think they are. I think there is a cut-off there. But all the profits that Armour & Co. makes, whether out of the beef business or leather business or anything else, are between those two pages in that statement.

Senator NORRIS. Exactly. Then your statement of a dollar a year does not include the profit you made on that steer's hide?

Mr. ARMOUR. Probably not. No; I think it does not.

Senator NORRIS. Is it true also that it does not include the profit you would make on the part of the steer which went to soap, or fertilizer, or glue?

Mr. ARMOUR. No; I do not think it would. It takes a cut-off, just as if we had to sell it to the hide department, or to another business.

Senator NORRIS. It would not include the profit you make in perfumery, either?

Mr. ARMOUR. I think not. Before we were in the tanning business we had to sell our hides to the United States Leather Co., or to anybody else. It cuts off there.

Senator NORRIS. I understand that.

Mr. ARMOUR. I did not try to mislead you, Mr. Heney.

The CHAIRMAN. This dollar is on the 55 per cent of the animal that dresses out into meat, is it?

Mr. ARMOUR. Yes, sir. But all our profits—our total business—whether it is made out of perfumery or potash or anything we do, is included in those figures. There is nothing not included. Our leather business is included in those figures.

Senator NORRIS. I understand.

Mr. HENY. In those figures of fifteen millions' profits you have written off something for income tax and excess profit taxes?

Mr. ARMOUR. Yes, sir.

Mr. HENY. How much does that amount to?

Mr. ARMOUR. \$6,300,000 or \$6,800,000.

Mr. MEYER. I will give you the exact figures. It is right on the statement. [Referring to statement.] The total amount for income and excess profit taxes is \$6,800,000.

Mr. HENY. It does not include anything from Armour's interest in South America?

Mr. ARMOUR. No, sir.

Mr. HENY. Were they included in the 1917 profits?

Mr. ARMOUR. No, sir. They are a separate company.

Mr. MEYER. They do not do any business in the United States.

Mr. HENY. But Armour & Co. owns the stock?

Mr. ARMOUR. Yes.

Mr. HENY. And gets dividends on it?

Mr. ARMOUR. No, sir.

Mr. HENY. How does that happen?

Mr. ARMOUR. We do not get any dividends from South America, because, in the first place, we are spending more money in South America than we are making, and we have been in the last five years. That is the reason that probably Armour & Co. are big, because we spend more money than we make.

Mr. HENY. You mean you are spending the money you make, do you not, to make it accurate?

Mr. ARMOUR. And more, too. You are speaking about South America?

Mr. HENY. Yes.

Mr. ARMOUR. And more, too. I hope it will not always be so, but we have been.

Mr. HENY. You have been enlarging your plant down there; almost doubling the capacity in Argentina?

Mr. ARMOUR. Yes. But you asked me if Armour & Co. had gotten any dividends from South America.

Mr. HENY. Yes.

Mr. ARMOUR. We have not.

Senator NORRIS. Is the business in South America run at a loss?

Mr. ARMOUR. No; at a profit.

Senator NORRIS. But you invest the profit in South America?

Mr. ARMOUR. Yes.

Senator NORRIS. Instead of declaring dividends?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. Armour & Co. here as a corporation owns that stock in South America?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. Then, Mr. Armour, how can you explain the fact that you did not account for it?

Mr. ARMOUR. Because it is a separate company.

Senator NORRIS. Exactly. But if you own the stock why should not that be a part of the income of Armour & Co., and if you make any investments—

Mr. ARMOUR (interrupting). I think because we have not brought the money over here. I think the minute we brought the money over here we would have to pay on it. But I think there is a ruling on that, Senator.

Senator NORRIS. So you do not have to do that?

Mr. MEYER. It is only when it is declared as a dividend.

Mr. ARMOUR. We have not taken any money from South America into this company at all. In fact, we could not if we wanted to, because we are spending more money in South America, and have been.

Senator NORRIS. You are building up plants there?

Mr. ARMOUR. Yes. I hope some day that will discontinue.

Senator NORRIS. I rather got the impression from your first statement that you were running your business there at a loss.

Mr. ARMOUR. No, sir. At least, we have not the last two years.

Mr. HENRY. I understood; but probably because I knew a little more about it. In Uruguay recently—and I am speaking from something I read in the newspapers, so if I am wrong correct me—your South American company enters into some contract with Uruguay under which you were to erect a cold-storage plant at the line of Brazil?

Mr. ARMOUR. At Montevideo.

Mr. HENRY. You have put \$750,000 into that plant?

Mr. ARMOUR. Yes.

Mr. HENRY. What are the terms under which you erected that plant?

Mr. ARMOUR. I do not know. I think we are to erect that plant with the idea of having so much beef pass through. We do not kill any cattle at Montevideo. The beef that goes through the Montevideo plant will be killed at a place called Santa Anna. That is in Brazil; away from the railroad. We will kill the cattle at Santa Anna, ship them down to Montevideo, which is on the water front, and the boat will come along and take them over to where they are going, and this plant we built at Montevideo is a cold-storage plant; simply a receptacle to take the beef and keep it until it is ready to be shipped on the boat.

Mr. HENRY. Under your contract with the Uruguayan Government you agreed, did you not, that anybody else could use the cold-storage plant as you do for storing meat, by payment, just as if it

was a public utility, and at the end of 10 years, unless renewed, the Government is to take it over at a certain price?

Mr. ARMOUR. Yes; I think that is true. But I think there is a reason for that being true. They are giving us a building down there. All we are doing is to put some insulation in it. They are giving us a building that is already erected.

Mr. HENEX. At the end of 20 years they take the insulation and everything else without paying you anything?

Mr. ARMOUR. I do not know what the terms of the contract are. As a matter of fact, I think that does probably include that they can use outside storage by paying us what it is worth.

Mr. HENEX. Have they a building there that is sufficiently large for that purpose?

Mr. ARMOUR. Oh, yes.

Mr. HENEX. So that all you have to do is to put in the cold-storage insulation?

Mr. ARMOUR. I have not seen it. But that is the report we get from our people.

Mr. HENEX. In the interior of the building there must be considerable to do.

Mr. ARMOUR. We have to put floors and ice machines. You know, \$700,000 nowadays does not go very far when you have to buy machinery and pipes and different things at the present market.

Mr. HENEX. I noticed that signing checks for breakfast.

Mr. MEYER. I hope they are not as big as that.

Senator NORRIS. I find that out when I eat bacon.

Mr. HENEX. I refer to that because it appears to me to be an interesting sidelight on what is being done there.

Mr. ARMOUR. That is hardly a criterion of anything analogous to what you might want to do in this country. I presume that is what you are getting at.

Mr. HENEX. Certainly, that is what I had in mind.

Mr. ARMOUR. But it is not a criterion at all. In that country over there it is not possible—no, I will not say possible—it is not probable that we will be called upon to give anybody space. In the first place, you have to go up in the country and spend a lot of money, as we have had to spend at Santa Anna, which is away from the seashore, and ship down, and up in that country people are not doing the sort of business we have gone into. All they have done up there is to kill cattle, and do what they call the jerked-beef business.

Mr. HENEX. Are they not slaughtering the cattle right there in the town?

Mr. ARMOUR. Where?

Mr. HENEX. Where your plant is to be?

Mr. ARMOUR. Yes; but this place is on the dock. This would not be any use for anybody in the town. I mean they could take beef there. Theoretically that is all very fine, but practically it does not amount to anything. Do you know what I mean? That may be all in there, but practically it does not amount to anything—probably will not be used.

Mr. HENEX. About how far are you away from there with your plant?

Mr. ARMOUR. Santa Anna?

Mr. HENNEY. Yes.

Mr. ARMOUR. I guess 250 or 300 miles.

Mr. HENNEY. There is no railroad, you say?

Mr. ARMOUR. Oh, yes; there is a railroad. This railroad comes down to Montevideo, and that is the seaport.

Senator NORRIS. I would like to ask Mr. Armour a question right there. This business in South America is owned by the corporation Armour & Co. here in this country?

Mr. ARMOUR. Yes.

Senator NORRIS. It is not owned individually by members of the corporation?

Mr. ARMOUR. No; I do not think so. Is it, Mr. Meyer?

Mr. MEYER. No.

Senator NORRIS. Is Armour & Co. the owner of any other stock located anywhere in the world in the same way? I mean does the corporation of Armour & Co. own other stock in other institutions, whether it is a packing institution or not?

Mr. ARMOUR. Do you mean in the United States?

Senator NORRIS. Anywhere. I do not mean the individuals; I mean the corporation.

Mr. ARMOUR. Yes, Senator. If you will look at the statement here—

Senator NORRIS. You have not that South American stock included in the statement, have you?

Mr. ARMOUR. Investment in allied companies. Our original investment is here; yes.

Senator NORRIS. The amount of stock you have now in it?

Mr. ARMOUR. The original investment is given here.

Senator NORRIS. What I am trying to get at is, Is that an isolated case or is that a common occurrence for the corporation itself to own stock in some other concern?

Mr. ARMOUR. Oh, no. We own stocks in a large number of companies.

Senator NORRIS. Do you own any in any railroad companies?

Mr. ARMOUR. No, sir. These are just companies that we use for Armour & Co.

Senator NORRIS. For instance, is the stock in the plant at Omaha owned by Armour & Co.?

Mr. ARMOUR. No; that is not a separate company. I can give you an illustration.

Senator NORRIS. I wish you would.

Mr. ARMOUR. The Loudon Packing Co.

Senator NORRIS. Where is that?

Mr. ARMOUR. That is at Terre Haute. It is a company that has been in business for many years, and they make catsup.

Senator NORRIS. I do not care so much about their business. I am interested in the stock. Does Armour & Co., as a corporation, own the stock in that corporation?

Mr. ARMOUR. We own 51 per cent of the stock, and handle their goods, and that is in that report.

Mr. MEYER. The stock of all the companies in the United States.

Senator NORRIS. Are there any others where the corporations in which you own the stock uses the profit of the business for that particular corporation?

Mr. ARMOUR. You are getting at the income. We pay all the stock, all the money, from South America. We do not bring any money over here. The minute we brought any money over in the way of dividends or anything else, we would have to pay income tax on it. That is what you are trying to arrive at, is it not?

Senator NORRIS. I do not care about the income tax. I just wanted to get the general idea of the income.

Mr. ARMOUR. We are spending a lot of money over there and are not bringing any money over here.

Senator NORRIS. If this Terre Haute institution was spending a lot of money and wanted to use it and not declare a dividend, but put it all into the business, would you do that? Would Armour & Co. permit that?

Mr. ARMOUR. It would not make any difference, because that would show on our books.

Senator NORRIS. Whether it make any difference or not, I want to know what the facts are.

Mr. ARMOUR. I could not answer whether we would permit that at all, because it would depend on circumstances.

Senator NORRIS. Are there cases where you do it that way?

Mr. ARMOUR. No; I do not know of any cases. They made a dividend last year and we got our percentage of it. The Loudon Packing Co. and other companies we own when they earn dividends we get them. When they do not earn them, naturally, they do not pay anything.

Mr. HENRY. I would like to ask just a question or two further about the South American business. Does Armour & Co. raise any cattle in South America?

Mr. ARMOUR. No.

Mr. HENRY. Has it not acquired a large amount of land down there?

Mr. ARMOUR. No.

Mr. HENRY. In South America? When I say "large," I mean about 3,000,000 acres?

Mr. ARMOUR. No. We are building at Brazil, and I think we bought twelve hundred acres, or something like that.

Mr. HENRY. I meant a large tract.

Mr. ARMOUR. Oh, no, sir. We may have to, but we have not yet.

The CHAIRMAN. Are you interested in any packing house or slaughtering establishment except the three you have mentioned, the one in Argentine, the one in Uruguay, and the one in Brazil? Do you own any in New Zealand?

Mr. ARMOUR. No.

The CHAIRMAN. Australia?

Mr. ARMOUR. No, sir.

The CHAIRMAN. In any European country?

Mr. ARMOUR. No, sir.

The CHAIRMAN. Or in Asia?

Mr. ARMOUR. No. That is all, Mr. Chairman; we do not own anything else.

The CHAIRMAN. Have you figured out how much you make per head on your hogs?

Mr. ARMOUR. I can not answer that question.

The CHAIRMAN. Or sheep?

Mr. ARMOUR. The sheep business, as a rule, does not make much money. But I can not answer that question.

Mr. HENEY. Perhaps you can get this information for us by to-morrow morning. How much has Armour & Co. made on hogs during the time it has been under the Food Administration control?

Mr. ARMOUR. I do not think we could get you that by to-morrow morning. We will try to, but I do not think we can get that. I do not think anything we can get you on hogs would be worth anything unless it was up to a certain period of the year.

Mr. HENEY. Suppose you get it for a year.

Mr. ARMOUR. We close our books the first of November. I do not think anything we would get you from November on would be worth anything.

Mr. HENEY. Suppose you take it from November 1 to November 1.

The CHAIRMAN. Your fiscal year ends October 31?

Mr. ARMOUR. Yes. We will try to get it for you.

The CHAIRMAN. Generally speaking, your profits on hogs have been larger than the profits on cattle?

Mr. ARMOUR. Yes, naturally, the last three or four years.

Senator GRONNA. I understood from your answer, Mr. Armour, to Senator Norris, that part of your capital, as shown in this statement, is in the South American plant. Am I mistaken about that?

Mr. MEYER. That appears there, in that report.

Senator GRONNA. Does the amount of profit, then, show in the amount of profits here? Of course, you have not taken out any dividends. But you admit that you have made profits.

Mr. ARMOUR. We have not added any profits at all. That is an entirely separate company, and they have not declared any dividends.

Senator GRONNA. That would hardly answer my question. If you have part of your capital stock, on this statement, as shown in this statement, invested in the South American plant, and you are making a profit on that plant, it does not make any difference whether you declare dividends or not, so long as you have made the profits. Should it not be shown in this statement?

Mr. ARMOUR. I do not think so.

Senator GRONNA. In order to show the real profit that Armour & Co. made?

Mr. ARMOUR. Not necessarily so. We have not thought so, because it is an entirely separate business.

Mr. HENEY. Has the total amount of business you have shown included your South American business?

Mr. ARMOUR. No, sir.

The CHAIRMAN. What is the capital stock of the South American company?

Mr. ARMOUR. I can not tell you. It is either five or ten million dollars.

Senator NORRIS. Do you know what the profit has been down there?

Mr. ARMOUR. Yes.

Senator NORRIS. How much?

Mr. ARMOUR. Do you mean for the last year?

Senator NORRIS. The last year and the year before, or any other years?

Mr. ARMOUR. I do not know what they were for the year before. I think they were in the neighborhood of \$10,000,000.

Senator NORRIS. What were they last year?

Mr. ARMOUR. I am talking about last year. I would think in that neighborhood.

Mr. HENEY. By "last year" you mean 1918?

Mr. ARMOUR. Yes.

The CHAIRMAN. That is on your South American plant, your Argentine plant?

Mr. ARMOUR. Yes, sir. I would think it was in that neighborhood.

Mr. HENEY. I have running in my mind for 1917 something like six or seven million.

Mr. ARMOUR. It may have been.

The CHAIRMAN. And the investment is either 5 or 10 million?

Mr. ARMOUR. The investment is a good deal more than that.

Mr. MEYER. It would appear from this statement in evidence that the investment in the allied companies is \$43,000,000.

The CHAIRMAN. Could you enumerate those allied companies?

Mr. ARMOUR. We could; but it is a very long list.

Senator GRONNA. It is hard to get through my head, and I am somewhat slow in figuring out these things. I am at a loss to understand the kind of bookkeeping that you would use in adding in your statement here the capital stock or the assets for these outside companies, and then not including the profits that you make.

Mr. ARMOUR. We do. All the profits have been declared; all the dividends have been declared.

Senator GRONNA. That is not the profit.

Mr. ARMOUR. I do not think it is necessary, if you allow me to say so. We can not divide up profits if we are spending the money again.

Senator GRONNA. Just so that you will understand me: I am a man who deals in a small way. I started a little bank close to my home in 1901. We did not declare any dividends at all, but in about 10 years we had made enough profit to double our capital stock.

Mr. ARMOUR. Yes, sir.

Senator GRONNA. We considered that that was profit, whether we issued it or not. So we simply increased our capital stock.

Mr. ARMOUR. From your surplus?

Senator GRONNA. From our surplus.

Mr. ARMOUR. The same as we increased ours from 20 to 80 million dollars.

Senator GRONNA. But every year when we made a statement—we had to render statements quite often, as you know, under the banking laws—every time we had to show that surplus, and we had to account for that profit. In making a statement such as you have made here, why should not the profits be shown? You have said you have made \$10,000,000 profit.

Mr. ARMOUR. We have not thought it was necessary to do it.

Senator GRONNA. But is it not necessary that the public should know how much you have made?

Mr. ARMOUR. We issued a statement down in South America. This will show what our profits are down there. But we do not bring them back here.

Senator GRONNA. Let me ask you this question, then: What right have you to take American capital—we will consider that your capital

in South America is South American capital—what right have you to take American capital and charge it in this statement, so long as you are not showing the profit?

Mr. MEYER. They are compelled to, in showing their assets under the reports of the Federal Trade Commission.

Senator GRONNA. Would it not be fairer, then, to the public here to deduct that capital, the \$5,000,000, because then that would not tend to reduce your profits, while you must admit that this will tend to reduce your percentage of profits with the kind of bookkeeping you are showing here?

Mr. ARMOUR. I do not think so. I think we can explain that to you. I can not explain it to you now, but that we have a separate company in South America, and that company owns the stock in that separate company.

Senator GRONNA. But it is included in this statement?

Mr. ARMOUR. Yes, sir. They do not necessarily have to declare a dividend unless they want to. If they are spending the money, they do not want to declare a dividend.

Senator GRONNA. Let us give an illustration of that. We will say that Armour & Co. have \$100,000,000 capital. Five million of that you take to South America.

Mr. ARMOUR. Yes, sir.

Senator GRONNA. And invest it there. You will actually employ, as a matter of fact, only \$95,000,000 here in the United States.

Mr. ARMOUR. Yes.

Senator GRONNA. It will make some difference, will it not, whether you use ninety-five million or a hundred million, so far as the rate of percentage of profit is concerned, when you come to figure that? Have I made that plain?

Mr. ARMOUR. Yes; I think you have. I think we can explain that to you. I can not explain it to you now, but I think I can give you a satisfactory explanation of that if it is necessary.

Mr. MEYER. Senator, I am not in the accounting department, but, as I understand it, they are compelled—and I think Mr. Heney may concur—in making their report, to show all their capital, which includes all their assets.

Senator GRONNA. I am trying to show that your figures showing the rate of percentage are not altogether what they might be, but that, to some extent at least, they might be criticized.

(Thereupon, at 5.20 o'clock p. m., an adjournment was taken until to-morrow, Saturday, January 25, 1919, at 10 o'clock a. m.)

GOVERNMENT CONTROL OF THE MEAT PACKING INDUSTRY.

SATURDAY, JANUARY 25, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Senator Thomas P. Gore presiding.

Present: Senators Gore (chairman), Gronna, Page, Norris, and Kenyon.

STATEMENT OF MR. OTTO v. SCHRENK, VICE PRESIDENT AND SECRETARY OF THE FOOD TRADE PUBLISHING CO., NEW YORK CITY.

MR. SCHRENK. Mr. Chairman, I am vice president and secretary of the Food Trade Publishing Co., a New York corporation, which publishes a trade publication called the National Provisioner. I have been connected with the company for about 12 years.

The National Provisioner was established about 30 years ago as a trade paper to publish news and information about the meat trade throughout the United States. It has become the recognized organ of the meat trade in the United States and also a medium of market information for other countries of the world trading with us in meats and meat products. A sizable proportion of the circulation revenues, especially up to the time of the world war, came from all over the world—the European Continent, South Africa, Australia and New Zealand, South America, etc.

In the summary of the Federal Trade Commission on the meat-packing industry, which is dated July 3, 1918, there is a chart between pages 22 and 23 which is headed "Chart showing joint interests of the big five packers (based on stock ownership, except in the case of banks and railroads, which are based on directorates)." In the right-hand column, the second line from the top, is "The National Provisioner, New York."

On page 22 it is stated that the National Provisioner is included in this chart "because of the joint subsidy of \$5,000 annually from Armour & Co., Swift & Co., and Morris & Co., and on page 17 is the following statement: "One of the trade journals frequently quoted as a source of authoritative information regarding the meat industry is the National Provisioner. The editor of this journal for years received a joint annual subsidy of \$5,000 from Armour, Swift, and Morris."

On behalf of the Food Trade Publishing Co., which is the owner of the National Provisioner, I desire to protest against the statement

of the Federal Trade Commission that the National Provisioner has received a subsidy of \$5,000 annually from Armour & Co., Swift & Co., and Morris & Co., and against the imputation that the National Provisioner is in any manner owned, controlled, or even influence by Armour, Swift, or Morris. The National Provisioner has at no time received any subsidy of any kind whatsoever from any one of these three packers or, in fact, from any packer anywhere in the world. No payments have been made to the National Provisioner by these three packers or any other packer, either directly or indirectly. The only payments that have been received from the packers are payments for advertisements of the packers which appeared in the National Provisioner. Payments for these advertisements were made at the regular rates charged to anyone seeking the columns of the National Provisioner for this purpose. The National Provisioner is the medium of the meat trade and as such receives advertisements from all concerns engaged in this line of business and affiliated interests.

The Food Trade Publishing Co. was organized in the latter part of the year 1899, and in the year 1900 it purchased the trade paper known as the National Provisioner. The parties who put up the money for the purchase of the paper were Joseph H. Senner, Hubert Cillis, and Julius A. May. Mr. Senner was a newspaper man who had just completed his term of office as commissioner of immigration at the port of New York. Mr. Cillis was vice president of the Germania Life Insurance Co. Mr. May was a retired business man. Mr. Senner became president and editor of the paper. At that time these three were the only ones interested, and it was their own personal money which paid for the conduct of the business. No part of the money was obtained by any one of them from anyone connected with the meat industry.

Thereafter the business was conducted by these interests. Mr. Senner being the president and editor of the paper until his death in the year 1908. His stock in the Food Trade Publishing Co. under his will was bequeathed to his widow Henrietta Senner. In the course of years thereafter 125 shares of the stock of the company were issued to George L. McCarthy for services rendered by him as general manager of the company. About five years ago a voting-trust agreement was entered into by all the stockholders. This was done as no single person had any majority of the stock and in order to secure continuity of the business on the same basis as theretofore conducted. The stockholders at that time and the number of shares held by them were as follows:

	Shares.
Estate of Joseph H. Senner.....	263
Julius A. May.....	167
Hubert Cillis.....	58
George L. McCarthy.....	130
Henrietta Senner.....	5
Otto v. Schrenk.....	2
Herbert A. Heyn.....	2

All these stockholders signed a voting-trust agreement under which Hubert Cillis, Herbert A. Heyn, Otto v. Schrenk, and George L. McCarthy were appointed voting trustees.

Since the making of said trust agreement Julius A. May died, and under his will the 167 shares held by him were bequeathed to his widow. Thereafter Herbert A. Heyn died, and he bequeathed the 2 shares held by him to his widow. Thereafter George L. McCarthy died and bequeathed the 130 shares held by him to his widow.

Accordingly all the stock of the company is to-day held in the names of the following voting trustees:

Hubert Cillis, Otto v. Schrenk, Laura B. McCarthy, and Henrietta Senner for the following persons to the extent named:

	Shares.
Estate of Joseph H. Senner-----	263
Catherine L. May-----	167
Hubert Cillis-----	56
Laura B. McCarthy-----	130
Henrietta Senner-----	5
Otto v. Schrenk-----	2
Frieda S. Heyn-----	2

The shares as above set out are the absolute property of the persons named. They are not held in trust for anyone else. No meat-packing concern has any interest whatsoever, directly or indirectly, in the Food Trade Publishing Co. or in the National Provisioner. All profits earned by the National Provisioner are paid out and have been paid out at all times only to the stockholders in the proportion of the stock held by them.

After the death of Mr. McCarthy in June, 1919, I secured the services of Mr. Robert G. Gould as general manager of the National Provisioner. Mr. Gould was introduced to me by a personal friend of mine, who is in no way connected with any of the meat packers. Mr. Gould was formerly the owner and editor of the American Food Trade Journal.

In view of the rapid developments of the meat-packing industry the trade learned to depend to a considerable extent upon the National Provisioner to provide up-to-the-minute information on technical as well as market topics. The National Provisioner represents not only the meat-packing industry but also the retail meat business.

The National Provisioner has always been entirely independent and has always represented the interests of the entire industry throughout the United States. Its income is derived solely from subscriptions and from advertisements which are published by it at standard rates. Its advertisers include packers, machinery manufacturers, and allied industries.

Any payments that may have been made at any time to Mr. McCarthy, the former manager of the National Provisioner, by Armour, Swift, Morris, or any other packer were not paid to him for the National Provisioner. No such payments were turned over by Mr. McCarthy to the National Provisioner at any time, and it is my belief that if any such payments were made they were to reimburse Mr. McCarthy for expenses only. Unfortunately Mr. McCarthy is dead, and it is therefore impossible to refute the statements of the Federal Trade Commission any more directly than by my positive statement that the National Provisioner at no time received any subsidy from any packer.

I have personal knowledge of the foregoing facts for the past 12 years, having been actively associated with the business management

of the National Provisioner as secretary and director and also as its advisory attorney. My knowledge of all prior matters is based on frequent examinations of the books and correspondence and discussion with officers of the company and with Mr. McCarthy, the former manager.

Undoubtedly the most important element of a trade paper's existence is its entire independence. Any imputation that such a paper is controlled or even influenced by any particular part of the industry strikes at the very existence of the paper. The trade generally will regard it with suspicion and gradually withdraw both advertisements and subscriptions. I must therefore most earnestly and emphatically protest against the unjust and unfair attack upon the reputation of the National Provisioner by the incorrect statement in the Federal Trade Commission's report that the National Provisioner is controlled by any packers or receives any subsidy from any one of them.

The CHAIRMAN. I would like to ask you a few questions. How many subscribers have you, Mr. Schrenk?

Mr. SCHRENK. The total subscription list is about 2,000, sir.

The CHAIRMAN. What is your subscription rate?

Mr. SCHRENK. The subscription rate is—I am only the manager of the board of directors, and not the business manager. [After referring to copy of publication referred to.] It is \$3 a year in the United States; Canada, \$4; and all foreign countries in the Postal Union, \$5.

The CHAIRMAN. Then it is \$3 in the United States?

Mr. SCHRENK. \$3 in the United States.

The CHAIRMAN. Then your receipts from that source would be a little over \$6,000 a year?

Mr. SCHRENK. Exactly. I will say that our net profits for the past—

The CHAIRMAN. I will come to that in a few moments. Do you know how many different packing establishments there are in the United States?

Mr. SCHRENK. I could not answer that; no, sir.

The CHAIRMAN. Do you know how many you have on your subscription list?

Mr. SCHRENK. I have never analyzed the subscription list; no, sir; to determine that.

The CHAIRMAN. What are your receipts from your advertising?

Mr. SCHRENK. I am afraid I can not answer those questions; I have not the figures before me.

The CHAIRMAN. What are your total receipts, your gross receipts?

Mr. SCHRENK. I could only tell you the net profits. The net profits have run between \$10,000 and \$12,000 a year for the past eight or nine years.

The CHAIRMAN. What is the capital stock?

Mr. SCHRENK. Six hundred and thirty-odd shares.

The CHAIRMAN. How much a share?

Mr. SCHRENK. \$100 a share.

The CHAIRMAN. All common?

Mr. SCHRENK. All common stock; nothing preferred.

The CHAIRMAN. Who are your largest advertisers?

Mr. SCHRENK. I have before me several of the latest copies of the National Provisioner. We have the Bresht, of St. Louis, which is a

manufacturer of machinery. On the next page we have Wilson & Co., and so on. We have machinery houses——

The CHAIRMAN. Can you tell me who is your largest advertiser, who pays you more in a year for advertising than anybody else, or who did in 1918?

Mr. SCHRENK. I have not the figures before me as to that, Senator. I should say there are about 10 or 12 who take a page for the whole year, and therefore are on a parity. For instance, the Bresht Co. is one of them; and Wilson & Co. is one; Armour & Co. is one of them; the Canada Casing Co., of Canada, has a whole page; the General Electric Co. has a whole page; the Autocar, of Ardmore, Pa., has been taking a whole page; the Mechanical Manufacturing Co., of Chicago, has a whole page.

Mr. HENEX. That is Swift & Co.

The CHAIRMAN. That is a subsidiary of what packing house?

Mr. SCHRENK. That I do not know.

The CHAIRMAN. It is a subsidiary of one of the packing houses, is it?

Mr. SCHRENK. Not to my knowledge.

The CHAIRMAN. I think it is, is it not?

Mr. HENEX. It is a Swift concern.

The CHAIRMAN. It manufactures bumping posts?

Mr. SCHRENK. Its advertisement is for a mechanical frozen-beef hasher.

Mr. HENEX. Swift is on the back page.

Mr. SCHRENK. Yes. Didn't I say Swift?

The CHAIRMAN. What do you get for a page per year?

Mr. SCHRENK. I would prefer to produce Mr. Gould, our business manager. I do not know, Senator.

The CHAIRMAN. Of course, if you do not know you can not answer.

Mr. SCHRENK. As I say, I am an attorney, and my connection with the paper is to see that the officers are elected, to conduct the business of the directors' meetings, and to confer with the board as to the general policy of the paper.

The CHAIRMAN. Now, has your paper taken any editorial attitude with respect to the Federal Trade Commission's investigation of the packers?

Mr. SCHRENK. It has merely given a complaint from time to time as to the proceedings as they were carried on.

The CHAIRMAN. It has not commented on it editorially?

Mr. SCHRENK. Not particularly; no, sir. They may have just called attention to the fact that it is going on.

The CHAIRMAN. Then the paper has had no policy or attitude with respect to the Federal Trade Commission's investigation?

Mr. SCHRENK. No, sir. The paper claims to be nothing but a medium of information as to the general conditions in the packing industry.

The CHAIRMAN. You spoke of Mr. McCarthy, and you say that if he receives any payments for services he rendered—did he receive any payments?

Mr. SCHRENK. Not to my knowledge, Senator. The only information I have is the report of the Federal Trade Commission where it says that one of the editors received a subsidy of \$5,000.

The CHAIRMAN. Do you think that refers to Mr. McCarthy?

Mr. SCHRENK. I think that refers to Mr. McCarthy, because in some of the testimony before the House committee there was testimony to the fact that Mr. McCarthy had received \$5,000.

The CHAIRMAN. Now, do you know whether he did or not?

Mr. SCHRENK. Of my own personal knowledge, I do not.

The CHAIRMAN. Then you do not really know anything about this allegation in the report of the Federal Trade Commission?

Mr. SCHRENK. As to the payments to Mr. McCarthy I know nothing. What I want to contest—

The CHAIRMAN. It may be true, so far as you know?

Mr. SCHRENK. It may be true, so far as I know.

The CHAIRMAN. Or it may be false, so far as you know?

Mr. SCHRENK. It may be false, so far as I know.

The CHAIRMAN. But you bear no witness on that point at all?

Mr. SCHRENK. I bear witness only to deny the statement of the Federal Trade Commission that the National Provisioner received a joint subsidy of \$5,000 annually, which is on page 22 of their report.

The CHAIRMAN. Do you know whether Mr. McCarthy received \$5,000 from Swift, Armour, and Morris or not?

Mr. SCHRENK. I do not, of my own personal knowledge.

The CHAIRMAN. That is all.

Mr. HENEX. When did Mr. McCarthy die?

Mr. SCHRENK. In June of last year.

Mr. HENEX. And while he was general manager of the paper what control did he have over its policy?

Mr. SCHRENK. Such control as was given to him from time to time by the board of directors. The board of directors met occasionally and discussed the matter with him.

Mr. HENEX. Well, did he have in the interim control of the general policies with regard to shaping the policy of the paper?

Mr. SCHRENK. Subject to the general policy which has been the policy of the paper for many years past; yes.

Mr. HENEX. Did you ever look over any of the correspondence of Mr. McCarthy with any of the five big packers during the years 1917 and 1918, prior to his death?

Mr. SCHRENK. All the correspondence between the packers and the company; yes, sir.

Mr. HENEX. I say, with Mr. McCarthy?

Mr. SCHRENK. I have not Mr. McCarthy's personal files, Mr. Heney.

Mr. HENEX. Did you find in the office files any letters wherein Mr. McCarthy advised the five big packers that he had been requested by Mr. Hoover to recommend some small packers to be considered or placed on a committee to be consulted with in regard to regulations, etc.?

Mr. SCHRENK. No; I did not find any such correspondence.

Mr. HENEX. And in which he asked the five big packers to suggest the small packers whom he should name?

Mr. SCHRENK. I did not.

Mr. HENEX. You would not say he did not have any such correspondence?

Mr. SCHRENK. No; I would not.

Mr. HENNEY. Did you ever talk with him about it?

Mr. SCHRENK. Not that particular subject; no, sir.

Mr. HENNEY. Did you ever hear him say that he was getting any money from the five big packers?

Mr. SCHRENK. I have heard him say time and time again that the only income he had was the salary he received from our paper and his salary as secretary of the American Meat Packers' Association. I know he made that fact the basis of a demand for a large increase in salary, because he had a large family and large expenses, and he secured an increase in salary as general manager of our paper.

Mr. HENNEY. He was secretary of what?

Mr. SCHRENK. The American Meat Packers' Association.

Mr. HENNEY. And that included practically all the small packers in the United States?

Mr. SCHRENK. It did, sir.

Mr. HENNEY. And as its secretary he was a sort of executive officer of that organization?

Mr. SCHRENK. He was.

Mr. HENNEY. Did you ever look over his correspondence with the Food Administration in his capacity as secretary?

Mr. SCHRENK. I had nothing to do with the American Meat Packers' Association.

Mr. HENNEY. Do you know anything about his activities in connection with that association?

Mr. SCHRENK. In a general way, because I attended the conventions. I spoke to a lot of meat packers in the unit eastern part of the United States to find out how they regarded him, how they were satisfied with him, and what his general activities were.

The CHAIRMAN. With reference to Mr. Hoover?

Mr. SCHRENK. No; McCarthy.

Mr. HENNEY. You did not find any of them who told you they knew that Mr. McCarthy, as secretary of the organization, when asked to recommend small packers to Mr. Hoover for committee purposes, had first asked the big packers to name the men so that he could name them?

Mr. SCHRENK. Certainly not.

Mr. HENNEY. As satisfactory to them?

Mr. SCHRENK. Certainly not.

Mr. HENNEY. You do not know any of them who told you that he knew Mr. McCarthy was getting \$5,000 a year from Armour, Swift, and Morris?

Mr. SCHRENK. No; I do not.

Mr. HENNEY. I think that is all I want to ask in the way of questions. However, I think, so that the record may be straight, that in connection with this witness's testimony I would like to put in some letters taken from Mr. Henry Veeder's files in Chicago, one dated October 18, 1916, addressed to Mr. Arthur Meeker, of Armour & Co., Chicago; another dated October 18, 1916, Chicago, from Arthur Meeker to Henry Veeder; another dated October 23, 1916, from V. D. Skipworth, of Wilson & Co. to Henry Veeder; another dated October 28, 1916, from Henry Veeder to Arthur Meeker; another dated October 28, 1916, from Henry Veeder to L. A. Carton, treasurer, Swift &

Co.; another dated October 28, 1916, from Henry Veeder to C. L. Charles, care of Morris & Co.—Charles is the treasurer of Morris & Co., I think—and another dated October 30, 1916, from L. A. Carton to Henry Veeder, all of which relate to the payment of the sum of \$5,000 jointly by Armour, Swift, and Morris, Wilson declining to pay that year, and referring to former payments made in the same way to George L. McCarthy. I will not take the time to read them, Senator.

The CHAIRMAN. They all relate to payments to Mr. McCarthy.

Mr. HENNEY. Yes, sir.

The CHAIRMAN. You say you have no knowledge of that?

Mr. SCHRENK. We have positively denied that payment was made to the National Provisioner. I have nothing as to Mr. McCarthy, except that Mr. McCarthy has told me time and time again that he was receiving no payments from anybody except the National Provisioner and the American Meat Packers' Association.

The CHAIRMAN. He was connected with your publication?

Mr. SCHRENK. He was, as general manager, not as editor.

The CHAIRMAN. Do you know anything about Mr. Hoover's mission to Europe?

Mr. SCHRENK. Nothing at all, except what I have read in the papers, sir.

The CHAIRMAN. You did not confer with him about it?

Mr. SCHRENK. No, sir; I have never met Mr. Hoover?

Senator NORRIS. Why not read those letters?

The CHAIRMAN. You might read one or two of them, just to illustrate the relationship and connect the others with Mr. Heney's representation of them.

(Mr. Heney proceeded to read one of the letters referred to.)

The CHAIRMAN. Whom is this from?

Mr. HENNEY. Veeder.

The CHAIRMAN. To whom?

Mr. HENNEY. Arthur Meeker.

The CHAIRMAN. Veeder is with Swift, and Meeker with Armour?

Mr. HENNEY. Yes. I think it will be conceded by Mr. Armour that Mr. Veeder attends to all expenditures that are made jointly by Armour, Swift, and Morris in litigation and legislation?

The CHAIRMAN. That can be brought out on examination.

Mr. MAYER. That is not conceded at all.

The CHAIRMAN. I say, that can be brought out, if it is a fact.

Mr. MAYER. Let the record show that we dispute that. Mr. Armour himself turns to me and says we do not by any means concede that, but dispute it.

Mr. HENNEY (reading):

OCTOBER 18, 1916.

Mr. ARTHUR MEEKER.

Care of Armour & Co., Chicago.

DEAR SIR: Mr. George L. McCarthy's fees were handled through Mr. Tilden until the latter's death. Last year this matter was handled through my office, and Mr. McCarthy has now called my attention to the fact that he has not received his fees for this year. There is no question but what he earned his money last year and that he will do so again this year, and if it meets with your approval to handle this matter through my office, I would suggest that you send me check for the amount mentioned in the following table:

	Per cent.	Amount.
A.....	32.518	\$1,625.90
M.....	16.648	832.40
S.....	39.723	1,986.15
W.....	11.111	555.55
	100.000	5,000.00

In the past this matter has been contributed by A., M., and S., S. & S. not contributing. This year have included W. It may be, however, that W. will not contribute.

Sincerely, yours.

HENRY VEEDER.

Those initials mean Armour, Morris, and Swift. The S. & S. Co. was Schwartzschild & Sulzberger not contributing.

The CHAIRMAN. You do not know anything about that at all?

Mr. SCHRENK. No, sir.

Mr. HENRY. Then, the next letter is dated October 18, 1916, addressed to Mr. L. A. Carton, treasurer of Swift & Co., Chicago—that is the same letter I have just read. It was sent to Mr. Arthur Meeker; the same letter to Mr. L. A. Carton; the same letter to C. L. Charles, treasurer of Morris & Co.; the same letter to T. E. Wilson, president of Wilson & Co.

Then, the reply of Arthur Meeker was as follows:

CHICAGO, October 19, 1916.

Mr. HENRY VEEDER,

76 West Monroe Street, Chicago.

DEAR SIR: I have your note of the 18th about McCarthy's fees, and a check will be sent you for our amount.

Yours, very truly,

ARTHUR MEEKER.

The next one is as follows:

[Wilson & Co., successors to Sulzberger & Sons Co., beef and pork packers.]

CHICAGO, U. S. A., October 23, 1916.

Personal.

Mr. HENRY VEEDER,

76 West Monroe Street, Chicago, Ill.

DEAR SIR: Your letter of October 18 to Mr. Wilson in regard to Mr. McCarthy's fees:

Mr. Wilson will be absent from the office for several days.

We do not find that we have in the past participated in this expense. We personally do not feel justified in participating, as we feel that we are fairly heavy contributors in various ways to this same general cause, and would therefore ask that we be not considered as a participant in this matter.

Yours, very truly,

V. D. SKIPWORTH.

OCTOBER 23, 1916.

Mr. ARTHUR MEEKER,

Care of Armour & Co., Chicago.

DEAR SIR: Referring to my letter of October 18, 1916, in reference to Mr. George L. McCarthy's fees for the current year, I would say that Wilson & Co. decline to participate, stating their company never has participated in this

expense. This is true, and I therefore wish to cancel the figures in my letter of October 18, 1916, and to substitute therefore the following figures:

	Per cent.	Amount.
A.....	36.582	\$1,539.10
M.....	18.729	836.45
S.....	44.689	2,234.15
	100.000	5,000.00

I have received check of Armour & Co. for \$1,625.90. Please, therefore, send me check for \$203.20 to make up the difference.

Sincerely, yours,

HENRY VEEDER

And the same kind of letter to Morris & Co., changing the figures so that the three of them pay on that basis.

The next letter is as follows:

OCTOBER 30, 1916.

Personal.

Mr. HENRY VEEDER,
76 West Monroe Street, Chicago, Ill.

DEAR SIR: Agreeable to your letter of the 16th instant, inclosed please find Swift & Co.'s check for \$68.93; and agreeable to your letter of the 28th instant inclosed please find Swift & Co.'s check for \$2,234.15.

Yours, truly,

L. A. CARTON.

He is the treasurer of Swift & Co. That is in the year 1916, when the Borland resolution was introduced in February, and the first letter starts out by saying that Mr. McCarthy certainly earned his fees that year—the current year.

The CHAIRMAN. You stated a moment ago that you did not know anything as to the truth of these allegations?

Mr. SCHRENK. Nothing whatsoever. Mr. McCarthy, unfortunately, is dead.

The CHAIRMAN. He may or may not have received this \$5,000?

Mr. SCHRENK. As far as I know.

The CHAIRMAN. And he may or may not have been earning the money, so far as you know?

Mr. SCHRENK. So far as I know.

The CHAIRMAN. And he may or may not have been influencing the policy of the paper?

Mr. SCHRENK. He has not influenced the policy of the paper; that I am convinced of. He had instructions year after year during all the time he was connected with the paper that he was to publish a trade paper that was to represent all the packers. That was impressed upon him at every meeting, and he was told his continuance with the paper depended upon his being unbiased.

The CHAIRMAN. So if he was receiving pay from three packers it was without your knowledge and consent?

Mr. SCHRENK. It was without the knowledge and without the consent of the National Provisioner. The main purpose of my coming here is to say that the National Provisioner, which existed separately and apart from Mr. McCarthy, which has followed an honorable course in representing all the packers for the past 30 years should not be held responsible for anything and should not be im-

pugned by the Federal Trade Commission before this committee as being influenced or owned by or receiving a subsidy from the packers.

The CHAIRMAN. Who controlled the editorial policy of the paper?

Mr. SCHRENK. The editor of the paper.

The CHAIRMAN. Who is that?

Mr. SCHRENK. Mr. Paul I. Aldrich. He has been the editor for the past 20 years, and he gets his instructions directly from the board of directors and writes the editorials himself.

Senator NORRIS. Mr. McCarthy was general manager?

Mr. SCHRENK. He was general manager.

Senator NORRIS. And you had no knowledge that he was getting any money from the packers?

Mr. SCHRENK. No, sir.

Senator NORRIS. Do you not think now, from hearing these letters read, that he did get money from the packers?

Mr. SCHRENK. My dear sir, I am a lawyer, and our minds are peculiarly constituted. We do not believe things that we only hear one side of.

Senator NORRIS. We have heard both sides. We have heard you.

Mr. SCHRENK. You have not heard Mr. McCarthy's side.

Senator NORRIS. Well, we can not hear him.

Mr. SCHRENK. That is the trouble.

Senator NORRIS. I want to ask you this question, either as a lawyer or as an honest man [laughter]: You do not believe now, after having heard these letters read, that Mr. McCarthy did not get any money from the packers? Do you believe those letters are false?

Mr. SCHRENK. These are merely copies; I have not seen the originals. I do not know what the word "fees" means in that connection.

Senator NORRIS. Then you are not much of a lawyer if you do not know what "fees" means. That is the first requisite of a lawyer.

Mr. SCHRENK. There is a difference in the minds of clients and lawyers as to what the meaning of "fees" is. Senator, you must excuse me for not answering your question directly, but how can I believe this payment was made—

Senator NORRIS. I do not ask you to admit it; you can still deny it if you want to.

Mr. SCHRENK. I will say it would seem from this correspondence that Mr. McCarthy received certain sums of money. What they were for, I have not the slightest idea.

Senator NORRIS. Do you think a man who was general manager of your paper and was receiving these fees unknown to any of the other fellows connected with the paper would not be influenced in any way in his handling of the paper?

Mr. SCHRENK. Senator, had you known Mr. McCarthy, you would not ask that question. I knowing Mr. McCarthy can tell you there was not a more upright soul in the world, and that he took care of the small packers and their interests as against the big packers, because he knew that his position as general manager of this paper and as secretary of the American Meat Packers' Association depended upon his taking care of the interests of the small packers.

Senator NORRIS. Yes; but you have just testified that he wanted his salary increased because he did not have enough to live on.

Mr. SCHRENK. Yes.

Senator NORRIS. He did not tell you he was getting this money?

Mr. SCHRENK. He did not tell me he was getting any additional money. This was in the year 1913 that he asked for this money, and this correspondence is in 1916.

Senator NORRIS. And this correspondence shows he had received it at least the year before, and he was getting it for this year.

Mr. SCHRENK. That refers to 1915 and 1916. He asked me in 1913.

Senator NORRIS. What salary did he get as manager of your paper?

Mr. SCHRENK. Six thousand dollars.

The CHAIRMAN. Did he get the increase that he asked for?

Mr. SCHRENK. He did. It was \$5,000 at first, and then it was raised to \$6,000.

Mr. HENNEY. Did Mr. McCarthy, up to the time of his death, have your full and absolute confidence?

Mr. SCHRENK. He certainly did.

Mr. HENNEY. You believed absolutely in Mr. McCarthy?

Mr. SCHRENK. I had every reason to believe in him.

Mr. HENNEY. Do you think he had a very wide and intimate knowledge of the packing business?

Mr. SCHRENK. He certainly did.

Mr. HENNEY. And did you think his judgment was good in those matters?

Mr. SCHRENK. I was not alone in that opinion; all of us thought so, too.

Mr. HENNEY. Did your editor think so?

Mr. SCHRENK. He did.

Mr. HENNEY. And he did have the confidence of the editor to the same extent that he had yours?

Mr. SCHRENK. They have had many a scrap together as to the policy of the paper.

Mr. HENNEY. But did he have the confidence of the editor to the same extent that he had yours, so far as you have heard the editor express himself?

Mr. SCHRENK. Yes, sir.

Mr. HENNEY. He has told you that he believed in Mr. McCarthy and his honesty and integrity from time to time?

Mr. SCHRENK. He did not repeat it. He mentioned it once or twice in the course of the past few years.

Mr. HENNEY. And you have no doubt he retained that confidence down to the time of Mr. McCarthy's death?

Mr. SCHRENK. Yes, sir.

Mr. HENNEY. You have not any doubt about that?

Mr. SCHRENK. No; I have no doubt about that.

Mr. HENNEY. Now, then, if the Federal Trade Commission can produce correspondence—and I say it can, because I have seen the correspondence myself—showing that Mr. McCarthy was asked to suggest the names of small packers to the Food Administration, and that he first inquired of the big packers as to whom they would want to have suggested, would you think that was looking after the interests of the small packers as against the big packers as diligently and conscientiously as possible?

Mr. SCHRENK. My answer to that would be this: While Mr. McCarthy was pretty well acquainted with the conditions in the meat-

packing industry throughout the United States, the big packers undoubtedly knew more about it than he did; and the mere fact that he consulted with them and submitted various names and had them suggest names does not necessarily mean that he was going to accept the dictation of the big packers. There is such a thing as a frank expression of opinion between all parties interested, particularly during the war.

The CHAIRMAN. You said a minute ago you knew he always stood out for the small packers.

Mr. SCHRENK. Whenever there was a conflict which was against the interests of the small packers—let me explain to you that the very existence of this paper and the very existence of the American Meat Packers' Association depended upon a continuation of the support and confidence and existence of the independent packers—the small packers.

The CHAIRMAN. Mr. McCarthy had your implicit confidence?

Mr. SCHRENK. He did, sir.

The CHAIRMAN. Do you think you had his?

Mr. SCHRENK. I think so.

The CHAIRMAN. And yet he never committed to your confidence the fact that he was getting \$5,000 on the side from the three big packers?

Mr. SCHRENK. I have got my doubt to this minute as to whether he got that independently, but if he did get it there is a possibility—

The CHAIRMAN. Would there not be something in his papers or in the banks with which he dealt that would show it?

Mr. SCHRENK. That is rather difficult for me to tell.

The CHAIRMAN. What bank did he do business with?

Mr. SCHRENK. I have not the faintest idea.

Mr. HENRY. Is Mrs. McCarthy administratrix of his estate?

Mr. SCHRENK. She is.

Mr. HENRY. And she is also one of the voting trustees?

Mr. SCHRENK. She is.

Mr. HENRY. And she, of course, is in possession of his private papers?

Mr. SCHRENK. I presume so, but I have no knowledge of that.

Mr. HENRY. She has the opportunity as administratrix to get them?

Mr. SCHRENK. Undoubtedly.

Mr. HENRY. And his bank account?

Mr. SCHRENK. Certainly.

Mr. HENRY. And it would be readily shown whether the \$5,000 was deposited to his credit in the bank, would it not?

Mr. SCHRENK. I presume so.

Mr. HENRY. Then it is an easy matter for you to check up and find out whether that \$5,000 went to him, if you thought it was of any importance to your editor to know it?

Mr. SCHRENK. Yes, sir.

The CHAIRMAN. Will you find out what bank he did business with and let us know?

Mr. SCHRENK. I will be very glad to do so.

The CHAIRMAN. Is there anything further?

Mr. MAYER. I have no questions, Mr. Chairman.

STATEMENT OF MR. J. OGDEN ARMOUR, PRESIDENT OF ARMOUR & CO., CHICAGO, ILL.—Resumed.

Mr. HENRY. Mr. Armour, is there any agreement in existence between Armour & Co., Swift & Co., Morris & Co., Wilson & Co., and Cudahy & Co. by which they jointly bear certain litigation and legislative expenses and divide them, prorate them in a certain way?

Mr. ARMOUR. There is no agreement as to that. I do not know just what you mean by "agreement in existence."

Mr. HENRY. Just what do you mean by saying "there is no agreement?" Do you have any understanding about it, or have you been doing it for years and just merely keep on doing it?

The CHAIRMAN. Without any agreement?

Mr. ARMOUR. Why, I presume that if there is anything that is of interest to the industry we look after that jointly, the same as any other industry does, Mr. Henry.

Mr. HENRY. Who attends to the matter of looking after it and making the expenditures?

Mr. ARMOUR. There is not any regular man who attends to it. It is done at times by Henry Veeder.

Mr. HENRY. Is it not usually done through Henry Veeder?

Mr. ARMOUR. I do not think it is; no, sir.

Mr. HENRY. Was there any such arrangement with regard to the expenditures made in opposing the passage of the Borland resolution?

Mr. ARMOUR. You mean any arrangement?

The CHAIRMAN. Find out who else acts in that capacity.

Mr. HENRY. Who else besides Veeder ever acts in that capacity?

Mr. ARMOUR. Why, I do not know who would act. There is nobody specific that I can tell you.

Mr. HENRY. Have you ever known any other person to act besides Henry Veeder in such matters?

Mr. ARMOUR. Why, I presume when anything is done jointly—I do not recall anybody else; if it is done jointly it is usually done through Henry Veeder.

Mr. HENRY. I will read into the record a letter from Henry Veeder to W. S. Traynor, taken from the files of Swift & Co. and read into the public hearings at Chicago March 15, 1917:

AUGUST 23, 1916.

Mr. W. B. TRAYNOR,
Care of Swift & Co., Chicago.

DEAR SIR: You asked me the other day for certain percentages which are generally known as the usual percentages. On July 30, 1913, L. F. S., A. M., and T. E. W. agreed with C. and S. & S. upon the following percentages to cover general legislative and litigation matters:

35751	39723	44689
29266	32518	36582
14983	16648	18729
10	11111	
10		
<hr/> 100000	<hr/> 100000	<hr/> 100000

Of course, C. and S. & S. were arbitrary. The A., F., and H. are the so-called old beef figures which were based upon the volume of beef business in 1902.

Sincerely, yours,

HENRY VEEDER.

That says that "the A. F. and H. are the so-called old beef figures." There is no "A. F. and H." on there. There is an "A." on there, but no "A. F. and H." "A. F. and H." were the symbols that were used for Armour, Swift, and Morris from 1893 to 1896, and from 1898 to 1902, at the time the Veeder pools were in existence, were they not?

Mr. ARMOUR. I believe so; yes, sir.

Mr. HENY. And when he says, then, that these are the so-called old beef figures, they were the old Veeder pool figures of Armour, Swift, and Morris, were they not?

Mr. ARMOUR. I think so.

Mr. HENY. This letter says that on July 30, 1913, this agreement was entered into to cover general legislative and litigation matters. Do you not think it was entered into between Armour, Swift, and Morris? It says between L. F. S., A. M.—L. F. S. would be Louis F. Swift; A. M. would be Arthur Meeker, for Armour & Co.—and T. E. W. would be Thomas E. Wilson?

Mr. ARMOUR. Yes.

Mr. HENY. And they agreed with Cudahy and S. & S. Wilson was then with Morris, in 1913, at the time of the agreement. He was the manager of Morris & Co., was he not?

Mr. ARMOUR. Yes.

Mr. HENY. Do you not think that agreement was entered into as set forth?

Mr. ARMOUR. It is quite likely, but I hardly think, if you will allow me to proceed, that there is anything unusual in that.

The CHAIRMAN. If that is so, it is all the more interesting.

Mr. ARMOUR. I do not think there is anything unusual. In industry, Mr. Heny, as an industry that has anything that affects the industry, I think it is quite important that there would be a concerted effort to protect the industry, as far as it can legitimately possibly do so.

Mr. HENY. There are four percentages here. As I recall those letters of McCarty, they are the same percentages given there by Veeder for the division of that payment of \$5,000 to McCarty, three are his revised figures when only Armour and Morris made the payment, 44689—36582—18729. So that these figures, known as the old beef business figures, were applied to the payments to McCarty, apparently. Have you any knowledge on that subject?

Mr. ARMOUR. None whatever.

Mr. HENY. Mr. Arthur Meeker is the vice president of Armour & Co.?

Mr. ARMOUR. Yes, sir.

Mr. HENY. How many years has he been in that position?

Mr. ARMOUR. About all his life he has been with Armour & Co. He has not been vice president all his life, but for many years.

Mr. HENY. At the time of the Borland resolution he was authorized to represent Armour & Co. before the Judiciary Committee of the House, or the subcommittee that was holding the hearings, and came on here to Washington as a representative of Armour & Co.?

Mr. ARMOUR. He is always authorized to represent Armour & Co.

Mr. HENY. Is there a similar arrangement to this in regard to expenses for a number of those engaged in the oleomargarine business, or for the largest of those engaged in the oleomargarine business?

Mr. MEYER. To whom do you refer by "those"?

Mr. HENNEY. I will turn to it in a moment. I think it is in the Federal Trade Commission's report. I have forgotten whether it is in the first or second part. All the big packers are engaged in producing oleomargarine, are they not?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And are not the five big packers and the Jelke Co. in a pool together in regard to the apportionment of expenses in opposing adverse legislation and in litigating questions that they feel they are commonly interested in, in connection with the oleo business?

Mr. ARMOUR. I would hardly call it a pool, but I think it is quite likely that they do divide any expenses jointly, and it is quite natural that they would, I would think, Mr. Heney.

Mr. HENNEY. Do you know how the percentages were arrived at in dividing up that expense?

Mr. ARMOUR. No; I do not know. It might have been arrived at by the amount of business. It probably would be, although I do not know.

Mr. HENNEY. What proportion of the oleomargarine business is done by the five big packers jointly? I do not mean that they do it together, but what is the aggregate of their business—what percentage of the whole?

Mr. ARMOUR. As compared to the whole?

Mr. HENNEY. Yes.

Mr. ARMOUR. I could not answer that offhand and definitely, and it would really be a mere guess. You mean the whole United States?

Mr. HENNEY. Yes.

Mr. ARMOUR. I may be wrong and I may be right when I tell you—I do not know—perhaps 60 per cent.

Mr. HENNEY. I think you are very close to it.

Mr. ARMOUR. I would guess that, though I do not know.

Mr. HENNEY. That is my understanding.

Mr. ARMOUR. I think you can get those figures, but I could not say offhand. If I made a wild guess, I would say about 60 per cent possibly.

Senator PAGE. Sixty per cent covers the five?

Mr. ARMOUR. Yes; the five as against the other people. Jelke would be on the outside—Jelke and the other people in Chicago.

Mr. HENNEY. Jelke would constitute about 25 per cent of the whole?

Mr. ARMOUR. I would think so. Jelke does quite the largest individual business.

Mr. ARMOUR. Yes; considerably.

Mr. HENNEY. Then, the balance of it is divided up among seven or eight more?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Did the Jelke Co. commence the oleomargarine business before any of the big packers commenced it?

Mr. ARMOUR. I do not know. I suppose Jelke has been in the business over 20 or 25 years.

Mr. HENNEY. How do you suppose he got this lead in the business over any of the big packers?

Mr. ARMOUR. I have often wondered that, and I have asked our people many times. Jelke is a very intelligent, smart man, and that

is the only business he has. He has not any other. He runs this individually, and he is a very intelligent business man, and I have asked our people that question many times, and they have always given me a very unsatisfactory answer.

Mr. HENEY. Does he purchase part of his raw material from the big packers?

Mr. ARMOUR. Yes, sir; from Armour & Co.

Mr. HENEY. He can not get it anywhere else, can he, than from—that is, enough?

Mr. ARMOUR. I do not know. I think it is easier for him to get it from the big packers, and I think he does. I think Jelke buys most of his goods, I am very glad to say, from Armour & Co.

Mr. HENEY. Do you know whether anybody takes the lead in fixing the prices of oleomargarine? How do you fix the price for Armour & Co. on oleomargarine?

Mr. ARMOUR. Of course, the price of oleomargarine is more or less based on the price of butter. If the price of butter is high, naturally there is a good demand for oleomargarine, and while it is not based entirely on the price of butter, that is a very important factor in the price of oleomargarine.

Mr. HENEY. Oleomargarine would not sell alongside of butter at a higher price than butter?

Mr. ARMOUR. No, sir; it is always lower.

Mr. HENEY. So as butter goes up, then oleomargarine can follow?

Mr. ARMOUR. As a rule; yes.

Mr. HENEY. Do you follow, as a rule?

Mr. ARMOUR. As a rule; yes, sir.

Mr. HENEY. So that whatever the traffic will bear, naturally as business men, you get out of the oleomargarine?

Mr. ARMOUR. Naturally; yes, sir.

Mr. HENEY. Who is the largest dealer in butter in the United States?

Mr. ARMOUR. I do not know. My knowledge is limited.

Mr. HENEY. Do you not know that Swift & Co. handled 50,000,000 pounds of butter in 1916, and that they are the largest butter dealers in the United States?

Mr. ARMOUR. I know they are very large. I do not know that they are the largest. I know they are very large. I know we are very large.

Mr. HENEY. You are close behind?

Mr. ARMOUR. Perhaps so; yes. I do not know. But we are very large.

Mr. HENEY. Between Swift and yourself, then, do you not have considerable influence on the price of butter?

Mr. ARMOUR. I do not; no, sir.

Mr. HENEY. That is, on the theory that you think you do not have any influence on the price of any commodity, that the law of supply and demand regulates?

Mr. ARMOUR. No; I do not go as far as that. Any large manufacturer has a negligible influence on the price. But while they might have some influence, they do not control the price.

Mr. HENEY. And while they can not overturn the law of supply and demand, they can, within certain limitations, fix the price of a commodity?

Mr. ARMOUR. No; I would not say they could fix the price. They may have something to do with the price, but I would not say that they can fix the price.

Mr. HENY. Suppose Swift raised the price of butter above what it is selling at to-day?

Mr. ARMOUR. Yes.

Mr. HENY. To-morrow he says, "I am going to put it up," and it is put up, and you follow suit immediately. When you find he has put it up, you think you might as well get in too?

Mr. ARMOUR. Naturally. We try to do that.

Mr. HENY. If you are the largest butter dealers in the United States, do you not think that at once causes practically everybody else to follow suit?

Mr. ARMOUR. I presume it would have a great bearing; yes. But the butter business is too diversified, I guess, to have anybody have too much influence. That is, I think they might have some influence, but I do not think they could make the price of butter, if that is what you mean.

Mr. HENY. No; absolutely.

Mr. ARMOUR. I do not understand. You mean absolutely make it, but have a big influence in the making?

Mr. HENY. Yes.

Mr. ARMOUR. There are so many different things that go into the making of the price of butter. I am only talking generally on butter, because I really know less about butter, probably, than you do, because you have been looking into it and I have not.

Mr. HENY. Let us take the question of cheese. You are said to be the biggest cheese dealer in the United States?

Senator GRONNA. Mr. Heney, before you go into that, will you ask Mr. Armour how they acquire their butter, as a general rule?

Mr. ARMOUR. I think we manufacture some, and I think we buy a lot.

Mr. HENY. You have a butter manufactory?

Mr. ARMOUR. We have creameries around the country in different places.

Mr. HENY. You have the largest one in Arizona to-day, have you not, at Phoenix?

Mr. ARMOUR. I think we have; yes, sir; at Phoenix.

Mr. HENY. That is quite a dairy valley there, the Salt River Valley?

Mr. ARMOUR. Yes, sir; we have two there.

Mr. HENY. Then you have creameries in Wisconsin?

Mr. ARMOUR. Yes, sir.

Mr. HENY. A great many?

Mr. ARMOUR. I do not know how many. I think we have possibly several.

Mr. HENY. Did you acquire some of those since we entered the European war?

Mr. ARMOUR. No; I do not think so, in Wisconsin; no, sir. I think we acquired the Arizona one since the European war.

Mr. HENY. Did you acquire some in Wisconsin since the European war started?

Mr. ARMOUR. I do not think so. But if it is material to you I will be very glad to find out.

Mr. HENEY. Just in connection with this.

Mr. ARMOUR. No; I do not think we have, although we might have. But I do not think so.

Mr. HENEY. Then you have creameries in Missouri?

Mr. ARMOUR. I think so.

Mr. HENEY. And Illinois?

Mr. ARMOUR. It is quite possible.

The CHAIRMAN. Are you interested in Elgin at all?

Mr. ARMOUR. No; I do not believe we are. In fact, I know we are not.

Mr. HENEY. You manufacture cheese also, do you not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Is not Armour & Co. about the largest of the cheese dealers of the United States?

Mr. ARMOUR. I have been told so. I think we are; yes.

Mr. HENEY. How do you get your cheese besides what you manufacture? You buy, do you not, in addition?

Mr. ARMOUR. We buy some and we make some; we have cheese factories.

Mr. HENEY. Before the war, in normal times, was there much cheese exported from the United States?

Mr. ARMOUR. I rather think there was, although I do not know.

Mr. HENEY. You do not keep as close touch with the cheese end?

Mr. ARMOUR. Practically know nothing about the butter, egg, and poultry department, except in a very general way.

Mr. HENEY. That is where you now have brigadier generals in charge, with brigadier generals' pay, instead of lieutenants, is it?

Mr. AUSTIN. I do not know about that, Mr. Heney. But I personally know very little about the butter, egg, and poultry trade. In fact, I know practically nothing about it to speak of, except to see the results.

Mr. HENEY. You are a pretty large dealer in poultry, too, are you not?

Mr. ARMOUR. We are large dealers. I really do not know how to compare us with anybody else.

Mr. HENEY. You do not know relatively how you stand?

Mr. ARMOUR. No, sir; I do not.

Mr. HENEY. Jumping away from this, you say that only 4.6 per cent of your business is grocery business?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Do you include in the grocery business canned fruits and canned vegetables?

Mr. ARMOUR. I would think so; yes, sir.

Mr. HENEY. Do you include soap?

Mr. ARMOUR. Oh, no.

Mr. HENEY. And things of that sort?

Mr. ARMOUR. No, sir.

Mr. HENEY. In the grocery business, in canned goods, do you know how much canned goods business you did in 1916, the total amount?

Mr. ARMOUR. You mean dollars and cents?

Mr. HENEY. Yes.

Mr. ARMOUR. I could not give it to you.

Mr. HENNEY. Would you know if I said that the report of the Federal Trade Commission says you jumped from \$6,000,000 in 1916 to \$6,000,000 in 1917? Did you have such an expansion of business as that in 1917, to your recollection?

Mr. ARMOUR. I do not know that those figures are right, but I do know that business increased very much.

Mr. HENNEY. And they say, further, that the combined business of the two largest concerns outside of the big packers in the grocery business was only \$6,000,000 in 1917, as against your \$6,000,000.

Mr. ARMOUR. I do not know as to that.

Mr. HENNEY. In gathering poultry, Mr. Armour, the report of the Federal Commission says that Swift has something over 1,200 stations at which to gather poultry in different States like Missouri, Illinois, Wisconsin, and Indiana, and that Armour & Co. have something over 250, a total aggregate there of something over 1,500 located in different towns, and that until Armour & Co. acquired the Kenmouth Co. recently there were only four towns in which Swift and Armour both had buying stations for poultry. Do you know whether that is so?

Mr. ARMOUR. I do not know that that is so; no sir.

Mr. HENNEY. And you do not know how that came about, if it is so?

Mr. ARMOUR. No; I do not know.

The CHAIRMAN. How many did Armour have—200?

Mr. HENNEY. Two hundred and fifty-odd. I am just giving the figures from memory. But that is pretty close to it. Swift's was one thousand two hundred and something. Would not that indicate that there was some sort of an understanding that they would not invade each other's buying territory?

Mr. ARMOUR. No; I think not. I would not think so. There is no understanding whatever. I can answer that. May I answer that question?

Mr. HENNEY. Yes.

Mr. ARMOUR. I can say most emphatically that there is no understanding. But I would think it was quite likely, if I was going to have a poultry station, or if you were in my place and you were going to have a poultry station, you would put one in a town, if it was large enough to support one, regardless of Swift or anybody else being there. But if Swift was in a town you would not certainly put one there unless you thought it was large enough to support you, especially if one was there. That is common sense. Although I can assure you that there is no agreement, remotely or any other way, as to that thing.

Mr. HENNEY. If Swift & Co.'s business grew up gradually in acquiring those buying stations—and I apprehend it did—within your knowledge, is it that it did gradually increase?

Mr. ARMOUR. I think it grew up rather rapidly, from what I have been told.

Mr. HENNEY. How about yourself?

Mr. ARMOUR. And ours grew up very much slower, because we never found that we could make any money out of the poultry business. Perhaps we did not know how to run it; I do not know. But perhaps that is one reason why we have only 200 poultry establishments and Swift has 1,200. Perhaps he runs them better than we do. But I

personally have always discouraged our people having them, because they have not been very profitable to us.

Mr. HENNEY. You want to look around for Mr. Freeby.

Mr. ARMOUR. Perhaps so. Perhaps we will have to change our poultry man.

Senator GRONNA. Do you suppose Mr. Hoover would let him go?

Mr. HENNEY. He has not yet.

Mr. ARMOUR. He works for Swift, does he not?

Mr. HENNEY. I think so.

Mr. ARMOUR. I do not know.

Mr. HENNEY. Freeby & Co. is a corporation. All the stock is owned by Swift & Co.

Mr. ARMOUR. That shows you how much I know about the poultry business, because I know very little about it.

Mr. HENNEY. You do not know just what the policy of your poultry department is, then, do you?

Mr. ARMOUR. Yes; I know what the policy is, but I do not know the everyday working of it.

Mr. HENNEY. You do not know what the policy of its expansion has been, do you, in locating in towns? Are you consulted personally about that? If the man in charge wanted to establish a station in a town, would he put it up to you first?

Mr. ARMOUR. He might. He certainly would not establish a station without putting it up to somebody, and when I say "somebody" I mean one of the vice presidents of Armour & Co. He might not personally come to me. But I will simply say that our poultry business has not been very satisfactory to us, as a whole, and I have in a very general way told our people that I did not want to branch out in the poultry business and have stations. Our people have come to me many times and told me, "Swift is branching out. Swift is building and acquiring lots of stations." I said, "I can not help that. If he can make money on it I presume he is doing it." We do not know how to, and naturally that is the reason why we have not many poultry stations.

Mr. HENNEY. Notwithstanding that fact, you did acquire the Kenmouth Co. recently, did you not?

Mr. ARMOUR. I think we did; yes, sir.

Mr. HENNEY. And the Kenmouth Co. is quite a large concern, is it not? It had a good many stations?

Mr. ARMOUR. Yes.

Mr. HENNEY. Spread out over Missouri and other States, or where was it?

Mr. ARMOUR. I understand so; yes.

Mr. HENNEY. That is contrary, then, to your general policy?

Mr. ARMOUR. No; it is not.

Mr. HENNEY. Why not?

Mr. ARMOUR. Because we probably got a man with it. We probably got a good man with it. All these things, after all, are dependent on the man you get to run them. If you get a good man running them, whether it is a poultry station, a branch house, or anything else, you will have no difficulty. If you have a poor man running them, you have a lot of trouble, and I presumed that when we took this company you speak of—what is it?

Mr. HENNEY. The Kenmouth.

Mr. ARMOUR. I presume we thought we got a good man with it.

Mr. HENEY. The Kenmouth Co. has stations in 25 towns?

Mr. ARMOUR. Yes.

Mr. HENEY. That Swift & Co. have buying stations in?

Mr. ARMOUR. If they have I did not know that.

Mr. HENEY. So that instead of buying in only 4 towns where Swift & Co. were, you are now in 29?

Mr. ARMOUR. That would indicate, then, that we had no agreement.

Mr. HENEY. Not necessarily. If you acquired a company tomorrow that was buying cattle or hogs in Omaha, or one of the other big companies, or if you went into Wichita and acquired Dold & Co., you think, as a matter of right, to continue to take the same percentage of receipts at that yard that Dold & Co. had been taking, would you not?

Mr. ARMOUR. Most decidedly. That is our policy.

Mr. HENEY. And therefore if you acquired the Kenmouth Co., you would take the percentage of purchases in the same town with Swift which the Kenmouth Company had been taking, would you not?

Mr. ARMOUR. Quite naturally. We would not buy the Kenmouth Co. with the hope that it would be doing any less business after we had acquired it than it did before.

Mr. HENEY. You say it would not be common sense to go into a town where Swift & Co. were and establish a station if the town was not big enough to carry two stations; if the surrounding territory of the production in that neighborhood was not big enough?

Mr. ARMOUR. I would not think it would be; no, sir.

Mr. HENEY. Suppose, instead of Swift & Co. being in there, it was a very good territory, and there was some little fellow in there, some little, insignificant fellow in there. You would not stop to consider the fact that he was in there if you wanted to get that good territory, would you?

Mr. ARMOUR. Of course that would depend entirely on the circumstances. I can not answer.

Mr. HENEY. I am talking from a common-sense standpoint now.

Mr. ARMOUR. I do not know. It might pay us a great deal better, if we were going into a town like that, to buy that fellow out rather than going in, because it has never been the policy of Armour & Co. to go into a town and crowd a man out. It has always been the policy, if we wanted to go into a town and there was a man there, to try and buy that man out, if it was possible to do so.

Mr. HENEY. Suppose you did try to buy him out, and the man said no, he preferred to do business for himself, that he wanted to develop his own initiative, being an American citizen, and not wanting to work for wages for anybody, he would not have employment by you, and he was just going to go ahead, and you did establish a plant there, and he was aggressive in trying to buy as against you. You would consider it common sense to pay enough more than he did to put him out of business as quickly as possible, to get rid of his competition?

Mr. ARMOUR. Of course, that is a case born entirely on supposition. I could not answer that question, because I do not know. It

would depend a great deal on many things as to whether it would be policy for us to do it, or whether we would go in there. As a rule, the small fellow always has the advantage. I could not answer that question, because I do not know what we would do.

Mr. HENNEY. You do not think the small fellow in the banking business has the advantage, do you, over these large units?

Mr. ARMOUR. In a small way, they make more money, relatively, than we do. Their percentage of profit is greater than that of the big packers.

Mr. HENNEY. So that if the country as a whole could get proper distribution of the products, you think it would be more economical to have them handled by small dealers?

Mr. ARMOUR. No; I do not.

Mr. HENNEY. How do you figure that out, then? I draw that inference from your answer.

Mr. MEYER. He said the dealers made more.

Mr. ARMOUR. No; I said the small packers. Are you asking me about packers?

Mr. HENNEY. Packers, I meant.

Mr. ARMOUR. Or about the poultry business?

Mr. HENNEY. Let us go to packers now.

Mr. ARMOUR. No; I say it is a matter of record that the small packers always make more money than the big packers, because they only do a limited business, and that is recognized. Every small packer will tell you that he makes more money than the large packers, in a percentage way.

Mr. HENNEY. And he pays higher wages to his employees than the large packers, too, does he not?

Mr. ARMOUR. I do not think that is so, Mr. Henney. The wages in packing towns—everybody has the same scale of wages.

Mr. HENNEY. Is it not a fact that the small packer in a packing center like Chicago pays higher wages? Do you not know that to be a fact?

Mr. ARMOUR. No; I do not.

Mr. HENNEY. That was the fact developed in those arbitration hearings, as it was quite conceded there.

Mr. MEYER. But did they not agree in those hearings to be governed by the decision of Judge Aldschuler?

Mr. HENNEY. I say, in regard to the question of the small men paying higher wages, they claim to have to pay it to get the workmen—skilled butchers.

Mr. ARMOUR. I do not think that the wages are any more on the week or on the month. They may be more for a day or two, because, as a rule, people who are working for the small packers do not have the steady work that the people who work for the big packers have.

Mr. HENNEY. I am not getting at it from the standpoint of the workman. I am getting at it from the standpoint of the manufacturer. The manufacturer is paying more for his labor, so that it would not cut any figure in the proposition you are just suggesting, would it?

Mr. ARMOUR. I do not believe they are paying any more for the same hours and for the same work.

Mr. HENRY. So that paying the same wages, or practically the same, you think the small packer can make a larger percentage than the big packer?

Mr. ARMOUR. They do; and that is borne out by the allowance of the Food Administration to the small packers, which was greater than the allowance to the large packers. The allowance of profit that they allowed them to make was greater than that to the large packers. You know that, do you not?

Mr. HENRY. Yes.

The CHAIRMAN. That would not follow from the rules. The mere allowance of 9 per cent I do not think necessarily would be a larger payment. As I understand the scheme of paying, you could not arrive at it merely from the limitation of the 9 per cent and 15 per cent.

Mr. HENRY. I will go into that a little more carefully a little later, Senator, if I may.

Mr. Armour, do you think that the big packer is making more or less per head on cattle to-day than he was 20 years ago?

Mr. ARMOUR. That would be, I would guess offhand, less; but I do not know. As any man's business increases naturally his profit in a percentage way is usually decreased. I think that is the history of all business in normal times.

Mr. HENRY. In the last 30 years has there not been enough, maybe, in development of by-products, or of the sale of the by-products, so that the big packer could sell meat so as to make less money per head than he did 30 years ago, so that the consumer would get the advantage of it?

Mr. ARMOUR. That might be so to some degree.

Mr. HENRY. Is it to any degree so, do you think?

Mr. ARMOUR. I would say perhaps some; yes.

Mr. HENRY. Is not that the claim that you big packers make, that you have cut down the price to the consumer by reason of these by-products?

Mr. ARMOUR. Yes.

Mr. HENRY. Has not that development been within the past 30 years?

Mr. ARMOUR. Oh, yes.

Mr. HENRY. Do you know how the wholesale prices of meats, as compared with what you pay for the live animals to-day, compare with the wholesale prices of meat as compared with what you paid for the live animal 30 years ago, 20 years ago, and 10 years ago?

Mr. ARMOUR. No; I do not know.

The CHAIRMAN. Could you have a schedule prepared showing that?

Mr. ARMOUR. I have no doubt we can get you that. I would not know that. I do not think any man would.

Mr. HENRY. I have seen some figures on it, and they are very interesting.

Mr. ARMOUR. I did not suppose I would be asked that question, and my memory is not long enough to carry that.

Mr. HENRY. Yet the price paid for cattle 10 years ago on the hoof, 20 years ago, and 30 years ago, and the schedule of the corresponding wholesale prices of different classes of meats, different cuts.

Mr. ARMOUR. Retail prices?

Mr. HENEY. No; you had better take the wholesale prices.

Mr. ARMOUR. You mean our wholesale prices?

Mr. MEYER. Corresponding wholesale prices?

Mr. HENEY. Yes.

Mr. MEYER. For the dressed beef?

Mr. HENEY. Yes; for the different cuts.

The CHAIRMAN. Also a schedule of all the principal products and all the by-products made 30, 20, and 10 years ago.

Mr. MEYER. That is going to take some days, Mr. Chairman.

The CHAIRMAN. Yes; I suppose so.

Mr. MEYER. You will keep the testimony open so that we can add it?

The CHAIRMAN. We can print a volume separately.

Mr. HENEY. In that connection, Mr. Armour, I would like to call your attention to some testimony given by your father, P. D. Armour, in 1890. Possibly it was a little earlier, in 1888. The resolution was in 1888 and the report was made May 1, 1890, by a Senate committee, of which Mr. Vest was chairman, and it appears in the report of the Fifty-first Congress, first session, Report No. 829, and in this Mr. P. D. Armour testifies, in Washington, D. C.—filed a statement from which it appears that upon 40,640 killed by Armour & Co. in 1889 there was a net profit on each head of \$1.22. The testimony of Mr. Meeker in 1916 before the committee that had the Borland resolution before it was, as I recall it, that the said profit was \$1.19 then.

Mr. ARMOUR. Yes, Mr. Heney.

Mr. HENEY. Now, your statement here to-day says a dollar a head, and then that letter I read from Swift says that on the same basis he makes \$2 a head to-day. If you can, I would like for you to try to reconcile the claim of the big packers that they have made meat cheaper to the consumer by reason of the development of by-products, so that they are taking such a small profit per head now as compared with the profit per head they got before, and they can content themselves with this small profit per head by reason of the amount they make out of the by-products. I would like to have you attempt to reconcile that with the facts as they seem to be indicated here.

Mr. ARMOUR. Of course, I do not know anything about Mr. Armour's testimony—my father's testimony, that is—many years ago. I would think that the packing business is like any other business, that the profit on any business in any new country, or years ago, when the country was small, relatively bigger than it is now, although that does not appear to be so. Of course, I do not know what he based that testimony on. I can simply say, Mr. Heney, that we are in more by-products business than we were a year ago, and we expect to make a profit out of the by-products business. But the profit we make out of that business is not excessive. As to the Swift statement, I could not answer for that, because I do not know what it is based on.

Mr. HENEY. The point I want light on, Mr. Armour, and which I think the committee would like to have light on, is this: The big packers claim that by reason of the development of by-products they are now able to sell meat at such a low profit to themselves on meat that the consumer gets the benefit of that. If it is a fact that the big

packer was making only the same profit on meat in 1889, which would be about 30 years ago, that he claims to be making now, it would not look as if the by-products had affected the price of meat to the consumer at all.

Mr. ARMOUR. I think so. I do not think any concern nowadays could live—packing house could live—on a dollar a steer, if that was the only thing they had. If we did not have our by-products, our profit on the cattle business would necessarily have to be more than a dollar. In other words, if we did not have our by-products we could not afford to do business—or anybody else for that matter—on a dollar a head. They might have well afforded to do business for a dollar a head, as my father testified there, because there was very little expense then. They had no expensive buildings. They had little wood, cheap buildings, and the business was in its infancy. They had no rules and regulations as are put forth now by the Government, and the packing business then can hardly be compared with the packing business now at all. They probably built a building for \$50,000 that would now cost us \$1,000,000, and I think, Mr. Heney, you will agree with me that if we were simply in the beef business, and were allowed to make a dollar a head on our cattle, we could not live, or no one else could live nowadays.

Mr. HENNEY. Would not this be a fairer way to make that statement, then—

Mr. ARMOUR. Do I make myself clear to you?

Mr. HENNEY. I think you do, and I am going to see if our minds have met. Would not this be a fairer way to make this statement, that the packer is making just as much money per head on the meat to-day as he was 30 years ago, but he would not be able to sell at that, he would not make any profit on the meat if it were not for the fact that he has developed the by-products?

Mr. ARMOUR. I think that is correct. That is a very much better answer than mine.

Mr. HENNEY. That is a little bit different from the published statements of the big packers; that is, it carries a different significance to the general public.

Mr. ARMOUR. No; I would not think so. I do not know just what you refer to. But my position as a big packer would not change one-fifth as to our not being able to do business without by-products. If you will allow a minute, we have a place where we now kill cattle in Chicago, which has been there for 20 years, and it is naturally more or less old and moth-eaten, and a man came to me a little while ago and said, "This place has been here for 20 years, and it is pretty old, and it should be replaced." I said, "What will it cost?" He said, "Of course, we would have to build a fireproof building, and it would cost \$1,500,000 for just a place to kill cattle, on present prices, of course. That was last year. I presume no place we had cost more than \$100,000. I am simply citing that to you to say to you that while we do say that our by-products enable us to sell beef lower, still, if we could only make a dollar a head out of our beef business, and that was all there was, we could not live, whereas we could have lived—how long ago was that?

Mr. HENNEY. Thirty years ago.

Mr. ARMOUR. It is not comparable as between now and then, I do not think.

Mr. HENEY. You do not mean to say that your plant there was worth only \$100,000 in 1888 and 1889, do you?

Mr. ARMOUR. No; I am not talking about the plant.

Mr. HENEY. You spoke of a \$100,000 building in which you kill cattle.

Mr. ARMOUR. Yes. I am talking about a building 500 feet long by 250 feet wide—not the plant—just one building, where we kill cattle; and our man said the other day that it would cost anywhere from a million and a quarter to a million and a half dollars to replace it.

Mr. HENEY. And you kill nothing but cattle in there—no hogs or sheep?

Mr. ARMOUR. I only mention that as to the difference in the expense between doing business now and doing business 30 years ago.

Mr. HENEY. But the number of cattle killed as compared with the number killed 30 years ago would make the difference?

Mr. ARMOUR. Oh, no. I do not know. I could not go into detail; but, broadly speaking, that is so.

Mr. HENEY. Broadly speaking, the other would be so, would it not, that the number of cattle has increased in comparison with the number you killed 30 years ago proportionately?

Mr. ARMOUR. Yes; I would think so, but it would not have increased that much.

Mr. HENEY. By the way, at this old killing place, did you put in a platform for killing cattle on?

Mr. ARMOUR. Yes; and we are just going to take it out—

Mr. HENEY. Yes; I know.

Mr. ARMOUR. Because it was not a success. How did you know?

Mr. HENEY. I know it is not a success, because if they do not kill as many cattle as will keep it moving, you have to stop, and that is quite expensive.

Mr. ARMOUR. Those are the things that happen in the big business. You can not do everything right. You have to have a contingent fee to take care of your mistakes.

Mr. HENEY. I appreciate that; and I also think the profit should be in proportion to the risk.

Mr. ARMOUR. I am not trying to evade the question.

Mr. MYER. What was that, Mr. Heney?

Mr. HENEY. I also think the profit should be in proportion to the risk.

Mr. ARMOUR. I am not trying to evade the question.

Mr. HENEY. I know that. I want to call your attention to another matter here. Your father's brother, your uncle, was running the Armour plant at Kansas City. It was a partnership, was it not?

Mr. ARMOUR. Yes, you mean at that date?

Mr. HENEY. Yes; I mean back there in 1889.

Mr. ARMOUR. Yes, sir.

Mr. HENEY. On November 19, 1889, after the committee had closed its session at Kansas City, and after Mr. Armour had waited several weeks in order to prepare a statement fully and deliberately, he filed with the committee "Exhibit A," hereto annexed, by which it appears that on a Texas steer, weighing 1,000 pounds, for which he pays \$25, his profit is 38 cents.

Mr. ARMOUR. Thirty-eight cents a hundred, I presume?

Mr. HENEY. I am reading it just as it reads, 38 cents. No; it is on the steer, on a corn-fed steer weighing 1,200 pounds, for which he pays \$45, there is a net loss of \$6.27. The retail butchers were called upon, or they came in and asked to be heard——

Mr. ARMOUR (interrupting). That was when the price of cattle was very, very low.

Mr. HENEY. Yes; it was.

Mr. ARMOUR. Did you find out why cattle were selling so low?

Mr. HENEY. Yes. Cattle commenced to go down in 1885, and continued to go down up to the time of this investigation, and the claim was made that it was because of overproduction, and that they had increased much more rapidly than the population. But a very carefully compiled statement given here from the Agricultural Department seems to indicate, and the committee accepted it as showing that that was not the fact; that the population had increased much more than the increase in cattle proportionately, and the demand had increased because the shipments abroad had increased very much. By the way, that reminds me, there was a great deal of canning done in those days, from 1870 down to 1878, all the big packers canning a very large amount of meat and shipping it out to mining camps in this country, and shipping a great deal of canned meat abroad. Is not that so?

Mr. ARMOUR. I presume it was.

Mr. HENEY. The committee says on page 14 of this report:

In the published price list of Armour & Co., of Kansas City, dated September 10, 1889, the price asked for a beef carcass dressed weighing between five and six hundred pounds is 5 cents per pound. If Mr. S. B. Armour's statement be corrected so as to correspond with the price list as published it would be as follows:

Test on one Texas steer: One thousand pounds, at 2½ cents, \$25.

He had it figures as dressing 540 pounds.

Expense of killing, cooling, and selling, \$1.75; total, \$26.75.

Product, net weight carcass 540 pounds, at 5 cents-----	\$27.00
Hide, 57 pounds, at 7 cents-----	3.99
Rendered tallow, 16 pounds, at 4 cents-----	.64
Butter tallow, 28 pounds, at 5 cents-----	1.40
Tongue, heart, casings, etc.-----	.85

Total ----- 33.88

Profit, \$7.13, instead of 38 cents as given by Mr. Armour.

That is taking S. B. Armour's statement. Could you furnish the committee with a statement that would show a test, and show how it is you reach a profit of \$1, show what the first cost of the live animal was, what the killing cost was, and in killing cost you can put what you generally figure as the expense of killing, cooling, and selling; the net weight of the carcass at your selling wholesale price; the hide, what you have allowed for that; the rendered tallow, the number of pounds and price; the butter tallow, the tongue, heart, casings, and other by-product which you are now taking care of!

Mr. ARMOUR. We will, Mr. HeneY, get that for you.

Mr. MYER. What you want is a test showing how the \$1 profit is arrived at?

Mr. HENEY. Yes.

Mr. MYER. Going into detail?

Mr. HENNEY. Yes.

Mr. MYER. And if you will give me the page of this report—

Mr. HENNEY. This does not give it in as full detail as it is now, because there are some other additional by-products. This is page 14 of the report. It is the Vest report.

Mr. MYER. Page what?

Mr. HENNEY. The Senate report, Fifty-first Congress, first session, volume 3, 1889, 1890, on page 14 of the report.

The CHAIRMAN. What is the number of the report?

Mr. HENNEY. Report No. 829. In getting up the cost per animal it is necessary to indicate the grade of the animal, Mr. Armour, is it not, because of the fact that you figure on a larger amount of tallow from a fat animal than from a poor animal, leaner animal, or an animal that weighs less, I should say?

Mr. ARMOUR. We weigh all that. We make a test of a bunch of cattle.

Mr. HENNEY. And then there is a different price for each bunch of cattle?

Mr. ARMOUR. Yes; naturally we take the cost price.

Mr. HENNEY. So that getting at an average the profit made, how do you get at this \$1 a head? You do not just take one and figure it out?

Mr. ARMOUR. I think we take an average, probably.

Mr. HENNEY. Do you know how it is done?

Mr. ARMOUR. Personally, I do not know. I know we take an average.

Mr. HENNEY. Who got up these figures for you from which you state this estimate of \$1 a head profit?

Mr. ARMOUR. Our office generally got that up.

Mr. HENNEY. And you can furnish us with the details on which your office did get it up?

Mr. ARMOUR. Oh, yes; we can give you the average cost and the average profit.

Mr. HENNEY. But we would like the details of it, as to how that is shown.

Mr. ARMOUR. We will give it to you.

Mr. MYER. Is that included in your question?

Mr. HENNEY. It is partly included. We would like to know as to how you reach the dollar a head proposition in detail.

Mr. ARMOUR, in figuring the profits of Armour & Co. for 1906, did you include the earnings of the South American Co. in your profits?

Mr. ARMOUR. I am inclined to think we included part of them. I do not know whether we included all of them or not. In 1906?

Mr. HENNEY. Yes.

Mr. ARMOUR. I am inclined to think we did include some of them.

Mr. HENNEY. That is my recollection.

Mr. ARMOUR. As to what part, I could not answer offhand. But I think our record would show that.

Mr. HENNEY. In 1917, however, they were not included?

Mr. ARMOUR. They were not included in 1917; no, sir.

Mr. HENNEY. And in 1918 they were not included?

Mr. ARMOUR. No, sir.

The CHAIRMAN. Why did you change your policy?

Mr. ARMOUR. Because we started sending so much money down there, Mr. Chairman, that we needed the money down there.

The CHAIRMAN. You did not divide any dividends—did not pay any dividends either one of the years?

Mr. ARMOUR. Yes; I think we did. Do you mean 1917 and 1918?

The CHAIRMAN. 1916, 1917, and 1918.

Mr. ARMOUR. Yes.

The CHAIRMAN. I understood you to say the other day that you never had declared any dividends at all.

Mr. ARMOUR. We took some money away from there; whether we declared dividends, I do not know; but we added some of the figures to our profits.

Mr. HENRY. And, in connection with the omission of those, Swift & Co. showed an increase in 1917 over 1916 of profits of many millions of dollars.

Mr. ARMOUR. Yes.

Mr. HENRY. Morris and Cudahy and Wilson each shows several million dollars increase in 1917 over 1916.

Mr. ARMOUR. Yes.

Mr. HENRY. Armour shows only a little over one million increase in 1917 over 1916.

Mr. ARMOUR. Oh, no.

Mr. HENRY. That is, it shows some twenty-one millions and odd against twenty millions in 1916, does it not?

Mr. ARMOUR. I think we showed better than that, but I do not know. Are you talking about 1917 or about 1918?

Mr. HENRY. I am talking about 1917 over 1916.

Mr. MYER. Yes; it is \$1,100,000.

Mr. HENRY. Yes; \$1,100,000 more than 1916, whereas Wilson showed two or three million more in 1917 than in 1916, Morris two or three million more in 1917 than in 1916, Cudahy more than that, and Swift many millions more. Did you fall, in advance of profits, behind any of the other four big packers in 1917 over 1916?

Mr. ARMOUR. No; I think not. In 1916 there were some South American earnings in there, and in 1917 there were not.

Mr. HENRY. There must have been considerable, then, must there not?

Mr. ARMOUR. I do not know what they were.

Mr. HENRY. Or else you fell away behind in the procession?

Mr. ARMOUR. Not necessarily, of course; those are net figures, and we deducted quite a large amount for income tax.

Mr. HENRY. And Swift did the same. He wrote off ten millions more for income tax in 1917.

Mr. ARMOUR. We did not include any of our earnings from South America in 1917. I do not know what Swift did, but I know what Armour did.

Mr. HENRY. Swift did include them from South America, but he has not included them this year from South America.

Mr. ARMOUR. I think he has included some this year from South America. Mr. Swift can answer that better than I can.

Mr. HENRY. He separated the South American company from Swift & Co. last May.

Mr. ARMOUR. I would not undertake to talk about Swift & Co.

Mr. HENEX. No; I do not desire to go into that with you, only to call your attention to the fact that Swift & Co. increased their profits in 1917 over 1916 by many millions.

Mr. ARMOUR. Yes.

The CHAIRMAN. Have you the number there?

Mr. HENEX. The exact figures?

The CHAIRMAN. Yes.

Mr. HENEX. I did have a memorandum of all of that, but I believe the reporter took it away.

Mr. ARMOUR. What do you want to know? I will try to answer the question.

Mr. HENEX. I wanted to have you account for the apparent failure of Armour & Co. to keep up with the procession. If it only made a million while Wilson, the new company, was making two or three million more than the year before, and Morris the same, and Cudahy the same, I wanted you to account for it.

Mr. ARMOUR. In 1916 we included South American figures, and in 1917 we did not. I presume that the other packers did; I do not know.

Mr. HENEX. Do you think there is any other thing that was omitted?

Mr. ARMOUR. I think that would make up the difference, probably.

Mr. HENEX. Is this financial report of Armour & Co. and allied companies intended to be a consolidated report of Armour & Co. of Illinois and its subsidiary companies, or is it merely a report of the Illinois company?

Mr. ARMOUR. I think that is the report of the consolidated companies. It does not necessarily include just the Illinois company.

Mr. HENEX. In getting up this report, were the assets of all the subsidiary companies in which Armour & Co. own 100 per cent of the stock, combined with the assets of the Illinois company and the total given as the assets?

Mr. ARMOUR. That is my understanding.

Mr. HENEX. Were the profits of each of the subsidiary companies and the surplus of each of the subsidiary companies included in the profits given here?

Mr. ARMOUR. I can not answer that question, but I would say yes.

Mr. HENEX. But you do not know of your own knowledge whether it was done or not?

Mr. ARMOUR. No.

Mr. HENEX. You see that would have a very important bearing, do you not?

Mr. MYER. My information, Mr. Heney, is—and I speak now from a discussion with the auditing department with me—these figures include all of the assets and all of the profits of all of their American companies, not the South American.

Mr. HENEX. If they do, then they ought to include all of the profits of all of those companies, and all the surplus of all those companies, transferred in surplus.

Mr. MYER. My information is that this statement does, of all the companies that the Illinois company owns.

Mr. HENEX. From whom did you get that information?

Mr. MYER. From the auditing department.

Mr. HENY. That department has to be represented by somebody. From whom did you get it?

Mr. MYER. I can get the name.

Mr. ARMOUR. Mr. Crowell.

Mr. HENY. Mr. Crowell is treasurer of Armour & Co.?

Mr. MYER. Yes.

Mr. HENY. Did Mr. Crowell give accurate information as to how it is compiled?

Mr. MYER. Yes.

Mr. ARMOUR. Crowell, or the auditor there, Mr. Hemphill. His name is there.

Mr. HENY. He would probably be the one.

Mr. ARMOUR. I think he could probably answer in detail.

Mr. HENY. Mr. Chairman, I think that Armour & Co., in order that this statement may be of most value, ought to supply the committee with a statement showing separately for each subsidiary company of which it owns a hundred per cent of the stock, or of which it owns so much that it has included it, or attempted to include it, in this statement, the capital, the assets and the liabilities, the surplus and the profits of each one of those companies separately.

The CHAIRMAN. For what years?

Mr. HENY. This purports to be for the year ending November 2, 1918.

Mr. MYER. I am not sure, but I have an impression that probably that information was furnished the Federal Trade Commission. But we will have a statement prepared for you.

Mr. HENY. Either the Food Administration or the Federal Trade Commission may have that information.

Mr. MYER. You want a statement showing separately the subsidiary companies?

Senator GRONNA. Would it not be necessary to have a statement of the Armour companies in South America also?

Mr. ARMOUR admitted here last evening that part of the capital of Armour & Co., of the \$43,610,071.42, is used in South America, but the profits are not included in their statement, because no dividends have been made. I think we ought to have not only a report of the subsidiary companies but of Armour & Co. in South America, so far as they are using any part of the capital there, because that must necessarily have something to do with the percentage of profits.

Mr. MYER. It would probably take some time to get you the South American information.

Mr. ARMOUR. The South American figures are all published in South America by everybody else, not Armour & Co., according to law there.

Mr. HENY. Has not Armour & Co. declined to furnish the Federal Trade Commission the figures for South America?

Mr. MYER. Yes, sir; under my advice. I told the commission they had no power and authority over any corporation not doing business nor organized in this country, and that ended it.

Mr. HENY. You mean you have not heard anything further from it?

Mr. MYER. I say that ended it.

Mr. HENY. I say, you mean by that you have not heard anything further from it? They did not tell you they were satisfied?

Mr. MYER. This was told them about six months ago.

Mr. HENEY. They did not tell you they were satisfied?

Mr. MYER. I did not say that. I do not know that I have ever said they were satisfied.

Mr. HENEY. As a matter of fact, they told you they were not satisfied, did they not?

Mr. MYER. No, sir.

Mr. HENEY. Whom did you have your talk with?

Mr. MYER. With the counsel of the commission and I think the Secretary; but I am not sure.

Mr. HENEY. With no member of the commission?

Mr. MYER. The Secretary made the application for the information, and I answered his letter.

Mr. HENEY. Did you have a talk with any member of the commission?

Mr. MYER. I have an impression that one of the commission was present, but I would not be positive.

Mr. HENEY. Did you not go and have a talk with Gov. Fort in Gov. Fort's office, just you and Gov. Fort, on this subject?

Mr. MYER. My recollection is that I had a talk with the general counsel and the secretary, and that one of the commissioners was present. I would not be positive. I have had so many talks with the Federal Trade Commission with reference to the investigation that I can not place any particular talk.

Mr. HENEY. Have you no recollection of talking with Gov. Fort?

Mr. MYER. I can not tell you when Gov. Fort and I last talked, but if you want me to be a witness I will be glad to do so, or, if you want to be a witness I will be perfectly willing to examine you.

Mr. HENEY. I am perfectly willing you should cross-examine me.

Mr. MYER. I am willing you should have the same opportunity. Go on.

Mr. HENEY. I am going on. Did you not have a talk with Gov. Fort in regard to the matter?

Mr. MYER. In regard to this information?

Mr. HENEY. In regard to furnishing this information in regard to the South American matter.

Mr. MYER. I do not recall that I did.

Mr. HENEY. Do you find that your memory is pretty good yet, Mr. Mayer?

Mr. MYER. My memory is pretty good. Why do you ask that question?

Mr. HENEY. Because I should think you would remember that conversation with Gov. Fort.

Mr. MYER. I told you I did not recall having had any such conversation with him.

Senator GRONNA. Mr. Chairman, I want to be perfectly frank with Mr. Armour. I was one of the members of the committee that asked that the packers should be heard. There had been complaints made that it was the Federal Trade Commission's report, based on an ex parte statement, and that the packers had had no opportunity to be heard. The committee was, as they always are, liberal, and they wanted the facts.

Mr. Armour admitted yesterday that part of this capital included in this particular statement is being used in the South American

plants; but the profits are not included. And, if I understood Mr. Armour correctly, that was this statement. If that is the case I would not consider this statement as being a true statement of Armour & Co., until these profits, which I understood were some \$10,000,000, were included. You can not possibly give the rate or percentage which Armour & Co. is making; and I think that is very important.

The CHAIRMAN. I think this, Senator Gronna, is perfectly clear: that is, either the capital that went into the South American company ought to be excluded from this statement or else the earnings ought to be included, one or the other.

Senator GRONNA. That is what I am trying to say, Mr. Chairman.

The CHAIRMAN. And I hope for the benefit of the committee that statement will be made. First, if Mr. Mayer insists on not disclosing the earnings in South America, then we ought to be provided with the capital invested in South America, so that we can arrive at the earnings on the capital investment in the United States.

Mr. MAYER. I agree with you, Mr. Chairman. In other words, so far as we can calculate it here at this end—you see, when we adjourned yesterday afternoon it was after 5 o'clock, and if we could have gotten the information from Chicago we would have had it.

Senator NORRIS. You had that information or you could have had it before you prepared that statement, could you not?

Mr. MAYER. The question was never raised.

Senator NORRIS. You say you now agree with the chairman. As I understood you yesterday, you sharply did not agree. Now, if that should be put in, why was it not put in?

Mr. MAYER. Senator Norris, this statement was prepared under the direction of the auditor of the company, and to exclude from the capital and investment in South America I do not believe for one second could have been approved or audited by the auditor.

Senator NORRIS. That may be. It does include the capital invested in South America and does not include the profits which Mr. Armour said unquestionably were about \$10,000,000 for this last year.

Mr. MAYER. No, Senator Norris.

Senator NORRIS. You ought to exclude one or include the other.

Mr. MAYER. Let me give you a little further information. This investment was made several years ago, along in 1917 or 1918.

Senator NORRIS. But the profit was made last year.

Mr. MAYER. You do not let me answer; I want to give you this explanation. Prior to 1917 the profits of the South American company were received by the American company, and this investment appears on their capital account. They can not cut out that. But in order to enable your committee to ascertain what per cent they have made on their business on capital actually used all that you need do is to deduct from the capital account the actual amount appearing on the books as part of that capital representing the South American investment. We will give you that information.

Senator NORRIS. I say, you had that information in hand when this statement was prepared, I suppose, to influence the committee.

Mr. MAYER. Oh, no.

Senator NORRIS. It was given to us yesterday; we were then furnished with copies of it as being your statement. Now it develops

that there is something omitted from the statement of considerable importance.

Mr. MAYER. It does not make a difference of 2 or 3 mills.

Senator NORRIS. It makes a difference, according to Mr. Armour's own testimony, of about \$10,000,000 in one year.

Mr. ARMOUR. It does not.

Senator NORRIS. That was Mr. Armour's testimony of last evening.

The CHAIRMAN. It would make a difference of about 10 per cent.

Mr. MAYER. A difference of about 3 mills.

Mr. ARMOUR. It makes a difference of 5 per cent.

Senator NORRIS. It makes a difference of what the profit was down there last year.

Mr. ARMOUR. Not necessarily at all.

Senator NORRIS. That is your idea. But I do not think there can be any doubt, from your showing here—a statement of what your profits and expenses are—that it develops that some of your money is invested in South America and that last year you made about \$10,000,000, and that profit is not included in the statement. That is all there is to it.

The CHAIRMAN. As I recall, you showed an earning of \$21,000,000 last year, which you divide by your whole capital investment, including South America, to arrive at a percentage.

Mr. MAYER. It was \$15,000,000.

The CHAIRMAN. I thought it was \$21,000,000. Well, \$15,000,000, then, which you divide by your total capital investment, including the South American investment, to arrive at the percentage of profit on your whole investment, but there is \$10,000,000 profit from the South American Co. that you ought to have added to \$15,000,000 and then divided.

Mr. MAYER. Or reduced the capital investment by the amount of the South American investment?

The CHAIRMAN. Yes; if you want to limit it to the United States. Of course, if you want to show net earnings of all of it you would include both.

Mr. MAYER. That, Senator Gore, as near as we could figure it out overnight, would make about 3 mills.

The CHAIRMAN. I do not know what the investment in South America is. You said the earnings on capital stock were \$15,000,000. I do not know what is the surplus. But if you have \$107,000,000 and the earnings were \$10,000,000, it looks to me like it would be about 10 per cent.

Mr. MAYER. No; \$173,000,000.

The CHAIRMAN. I thought it was \$100,000,000 common and \$7,000,000 preferred.

Mr. MAYER. You have not figured the surplus.

Senator NORRIS. It depends on whether you figured your earnings per cent on capital stock, including surplus, or on the amount of capital stock. If you are figuring it on capital stock, all right, it would be somewhere near 7 per cent.

Senator GRONNA. The assets, what Senator Gore wants, are \$123,395,554.14 and included there are the matters which we are discussing, investment in allied companies \$43,061,671.42.

Mr. MAYER. That includes all the companies.

Senator GRONNA. That would be the assets; that is made on November 2, 1918. How much of that \$43,061,671.42 has been used in South America? That is the way I would figure it.

Mr. ARMOUR. We will give you those figures, Senator.

The CHAIRMAN. Your statement is that, including surplus. \$170,000,000?

Mr. MAYER. The net investment November 2, 1918—capital stock and surplus investment—was \$173,000,000.

The CHAIRMAN. The \$10,000,000 in South America was not spread over that?

Mr. MAYER. It is not included in that at all.

The CHAIRMAN. It seems to me you ought to divide the \$7,000,000 by that and add that to whatever per cent you did arrive at.

Senator NORRIS. As far as the South American company is concerned, we all know what the facts are, and every man can draw his own conclusion.

Senator GORE. I think so. But so far as compelling the disclosure of that—

Senator GRONNA (interposing). What result do you reach here by figuring this out?

Mr. ARMOUR. We have certain investment in South America that is included in our assets. We will be very glad to tell you what that investment is at it stands on our books. If you deduct that investment in South America from our total assets, it will show you very clearly what our percentage of profit is in this country. We have excluded South America, as I have told you the reason, and we are perfectly willing to furnish you with the investment that South America stands on our books.

The CHAIRMAN. The reason you assigned, Mr. Armour, was that the money has been absorbed in the business?

Mr. ARMOUR. It has.

The CHAIRMAN. And that was not true in 1916?

Mr. ARMOUR. No, sir; we were just beginning to do it.

The CHAIRMAN. Although you declared no dividend in 1916?

Mr. ARMOUR. I think we did declare a dividend.

The CHAIRMAN. Was the reason, Mr. Armour, for change of policy the imposition of the high tax in 1917?

Mr. ARMOUR. No, sir; that was not the reason. We have a separate company down there, and they do a separate business, and it has not any more to do with this country than any other country has; and we are spending lots of money down there.

The CHAIRMAN. If you declared the dividend and brought the money into this country, it would be subject to tax?

Mr. ARMOUR. It naturally would.

The CHAIRMAN. It would amount to a great deal on \$10,000,000. would it not?

Mr. ARMOUR. I should think so; yes, sir.

Mr. HENY. Mr. Armour, you went into the South American business because, as a business man, you believed that the control of the South American cattle would have a great influence upon your business in the United States, did you not?

Mr. ARMOUR. No, Mr. Heney; that is not the reason.

Mr. HENY. It would have, would it not?

Mr. ARMOUR. It naturally would have in normal times, but that is not the fundamental reason why we went into the business in South America. Do you want to know why?

Mr. HENEY. Yes.

Mr. ARMOUR. Why, South America is a new country and has lots of capital, and we had a lot of selling plants in England, and in order to keep those selling plants going it would necessarily have to get beef from South America, because you could not ship it from here any more and compete with South America. We either had to get into the South American business or we would soon have become no factor in the London market and the European market, and we had a big outfit over there. That is not the only reason, that is one reason. And then we got into the South American business because we thought it was a good business, the same as a man would go into any other business, he would go into South America because it was good business; he would not go into it if he did not think it was good business; and we went into it, fundamentally, because South America is a new country, and we think it will be good business. It is the same as America was 25 years ago.

Mr. HENEY. When did you go into South America—1910 or 1911?

Mr. ARMOUR. Yes; our own house was operated there the first year after the war in Europe.

Mr. HENEY. But you and Morris were in there in 1910 and 1911?

Mr. ARMOUR. Yes; we were there along there.

Mr. HENEY. And, as a matter of fact, in 1910 and 1911, did you not consider that there was a shortage of cattle in the United States as compared with the population, taking it in ratio with 30 years ago?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And did you not think that, therefore, the United States could consume all the cattle produced in the United States and being produced in the United States?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. So there was no necessity for an export trade from the United States, was there, to England?

Mr. ARMOUR. Well, you say "no necessity." You may use that word if you desire to use it. There could not be any exported because the price prohibited it; it was not possible to export any beef from the United States.

Mr. HENEY. From the standpoint of the consumers of the United States, with that changed relation between population and cattle in the country, was it not to the interest of the consumers of the United States that no cattle should be exported, but should be kept here for home consumption?

Mr. ARMOUR. Most decidedly. The price of cattle shows that, for they have gone up suddenly.

Mr. HENEY. You were exporting cattle to England in competition with the cheaper cattle that were being shipped there by Nelson & Co. (Ltd.), of England?

Mr. ARMOUR. When?

Mr. HENEY. From South America, before you went down to South America in 1910?

Mr. ARMOUR. You mean exporting cattle from here?

Mr. HENEY. Yes.

Mr. ARMOUR. To England?

Mr. HENEY. Carcasses?

Mr. ARMOUR. I do not think so.

Mr. HENEY. How did you get your distribution system over there; what was it for—before you went into South America?

Mr. ARMOUR. Oh, our distribution system was originally from America, and then our figures down there fell down very much, and then we had some business from South America, and we had a large distribution that was left over. When I say that I mean markets in Smithfield and the different ways that business is done in England.

Mr. HENEY. When did you start this business in England?

Mr. ARMOUR. Oh, I do not know—many years ago.

Mr. HENEY. Not over 15—it was refrigerated meat, was it not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Dressed meat?

Mr. ARMOUR. I do not know the year, Mr. Heney, but many years.

Mr. HENEY. And, is it a fact, that the competition from South America became so severe against you that you had to go into South America in order to hold your English trade; is that what you mean?

Mr. ARMOUR. Well, you can put it that way; yes, Mr. Heney—that is one way of putting it, and I guess that is as good as any other way. The trade in England and over in Europe gradually took all their meat from South America, and America gradually fell back and did not ship any beef over there, because beef was cheaper in South America.

Mr. HENEY. Has meat been selling since 1910 up to the time of the war in England cheaper or dearer than in the United States—I mean beef?

Mr. ARMOUR. I do not know; I could not say. It would depend entirely on the kind of meat, whether it came from the United States or came from—I would say, perhaps, there was not very much difference.

Mr. HENEY. Were you not selling dressed meat there at about 7 cents a pound?

Mr. ARMOUR. When?

Mr. HENEY. From 1910 to 1913?

Mr. ARMOUR. I do not know; I would not think so—I would not think so. But you do not have to ask me that. You can get those records without asking me. I am perfectly willing to give them to you, but I do not know.

Mr. HENEY. If you do not know, of course, you can not give them.

Mr. ARMOUR. You do not have to ask me, because they are quite available without getting them from me, because I can not give them.

Mr. HENEY. If you can not, it is all right, but if you could it would lead to something I want to ask.

Mr. ARMOUR. I do not care what it would lead to, Mr. Heney—in fact, I do not know.

Mr. HENEY. What I want to get from you is—this is what I am driving at—is it not a fact that instead of your being in business in South America, that South American business was controlled and

built up to the point where it is by English concerns, and would not they be shipping meat into the United States in competition with you five big packers, and would not meat be selling cheaper in the United States to-day than it is?

Mr. ARMOUR. Mr. Heney, of course, there is not any meat that could be shipped in from South America by anybody since we went into the war.

Mr. HENNEY. I am not talking of the war period; I am talking of a normal period.

Mr. ARMOUR. No; Mr. Heney, Armour & Co. are the same as you or anybody else would be if you were interested in the South American trade. We would ship our beef wherever we could get the best price for it. If we could make more money by shipping our beef to America, that is where our beef would go, and it would not go to England. Do I answer your question?

Mr. HENNEY. Let us see about that. Your largest business is in the United States, is it not?

Mr. ARMOUR. Yes.

Mr. HENNEY. Apparently—

Mr. ARMOUR (interposing). That would not hurt our business in the United States; it might hurt the live-stock dealers, but it would not hurt our business in the United States.

Mr. HENNEY. Your largest business is in the United States, is it not?

Mr. ARMOUR. Yes.

Mr. HENNEY. You say that the price you can get for meat depends on the law of supply and demand in the United States?

Mr. ARMOUR. I do.

Mr. HENNEY. Now, then, if you ship your meat from South America it would cost you less than the meat here in the United States?

Mr. ARMOUR. Sure.

Mr. HENNEY. You could sell it for less money than you could afford to sell United States meat for, could you not?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Do you mean to say you would do that?

Mr. ARMOUR. Most decidedly.

Mr. HENNEY. You would do that?

Mr. ARMOUR. Most absolutely. Why not?

Mr. HENNEY. Against yourself?

Mr. ARMOUR. Most decidedly. Why not? Can you tell me why not?

Mr. HENNEY. I can tell you why not; certainly.

Mr. ARMOUR. Yes; tell me; I would like to know.

Mr. HENNEY. It would be like taking money out of one pocket and throwing it out in the street.

Mr. ARMOUR. Oh, no; it would not. You are entirely wrong, if you will allow me to say so.

Mr. HENNEY. Why not, now?

Mr. ARMOUR. Why, because any great quantity of beef coming from South America, if the prices are lower in South America, is going to affect the price of live cattle here. You can not get around that. I do not say it would affect it the first day or the second day or the first week or the second week. But you can not get around

that—the price of cattle is based on the price you can sell your beef for—not us, but anybody.

Mr. HENEY. Certainly.

Mr. ARMOUR. If we bring, say, 10,000 cattle in from South America, and we can sell them for a half cent a pound or a cent a pound cheaper than we can sell our own beef, that is not going to affect us one bit. It may affect us the day it comes in, but we will have to replace our beef and come in competition with South America as near as we can on the basis of South America. Do I make myself clear?

Mr. HENEY. I think you do.

Mr. ARMOUR. Not a bit, Mr. Heney. You are entirely wrong.

Mr. HENEY. Let us see about it, now.

Mr. ARMOUR. All right; go on.

Mr. HENEY. As a matter of fact, you have had some shiploads of beef from South America come into New York since you have been in business?

Mr. ARMOUR. Oh, yes; before the war; yes. I do not believe there has been any since the war. Before the war, I think, yes; but it is immaterial.

Mr. HENEY. When that came in, did not the price of beef drop in Chicago 50 cents a hundred?

Mr. ARMOUR. No; I do not think so. But, of course, you must not. Mr. Heney—if you will allow me to say so—let me say something—you must know. Mr. Heney, that the beef that comes from South America here is all frozen beef. You can not get as much for frozen beef—South American beef—that comes into this market—you can not say; I do not know what it will be next year—but it does not to-day command as good a price as our beef does.

Mr. HENEY. No; but it helps to break the market in Chicago, does it not?

Mr. ARMOUR. Yes; it would ultimately.

Mr. HENEY. So that you buy cattle cheaper?

Mr. ARMOUR. It would ultimately, if there was enough South American beef came in.

Mr. HENEY. Has it not happened that a shipload of beef came in and broke the market and then went right on out and was never unloaded in New York and never was intended to be unloaded in New York, but intended to go over to England?

Mr. ARMOUR. That is not true; that is ridiculous.

Mr. HENEY. Has there ever been a ship come here to New York with meat from South America and did not unload but went on over to England—I mean prior to the war?

Mr. ARMOUR. I do not know that there was, but it might have been so—it might have been so.

Mr. HENEY. Has there ever been a shipload come into New York that was not advertised throughout the country and did not affect the price of meat in Chicago on the hoof?

Mr. ARMOUR. No—I would think that is ridiculous; that is ridiculous. You do not think it is, but it is. That is too small to even talk about.

Mr. HENEY. It may be small to the big packer with \$20,000,000 profit, but these cattle producers who lose 50 cents a hundred on a trainload of cattle do not seem to think it is too small.

Mr. ARMOUR. No, Mr. Heney—I do not to my knowledge know that has ever happened, and I do not think it would happen. You may not agree with me, but I would not think that would be a very smart thing to do. These things that happen just from day to day—that is not the big way that the packers make their money, and that is not the way that any big concern does business either, because we do not make our money just from the drop in one week or one day. We try to make our money on a broad principle. Perhaps you do not agree with me, but that is the truth.

Mr. HENY. I agree with you in some respects. I have not any doubt but what your principle is volume, and that is what you are trying to make your money on, and on volume you are willing to take a less percentage, but you are also getting less economy, and you can make a lot of losses that the little fellow does not make, and still get by, on account of your volume, and that is why he makes more money than you do, so far as percentage of profit is concerned.

Mr. ARMOUR. I guess that is true.

Mr. HENY. And that is an economic loss to the country which the consumer is paying.

Mr. ARMOUR. Of course that may be true. But, of course, you have got to take your whole business as an answer to that, Mr. Heney. We do our business as well as we know how. I think we are just naturally trying to be human beings. I do not think that there are a lot of leaks and probably a lot of ways that we could do our business better than we do. But, generally speaking, I have always thought our business was done fairly well.

Mr. HENY. Well, I think you have demonstrated you are a better business man than I am.

Mr. ARMOUR. I do not mean that at all.

Mr. HENY. Although I have not been in business—I mean by results.

Mr. ARMOUR. I did not mean that at all.

Mr. HENY. Mr. Armour, to go back to this question of assets and liabilities, we have here in capital assets land, buildings, machinery, etc., \$70,000,000. Are those put in there at their cost price to Armour & Co. or have they been appraised from time to time?

Mr. ARMOUR. No; there has only been one appraisal made.

Mr. HENY. When was that?

Mr. ARMOUR. That was made when we put our bond issue out, and that was in—

Mr. HENY. 1913?

Mr. ARMOUR. Perhaps somebody knows; perhaps you know when our bond issue was put out. I guess it was 1913. The people who furnished us the money wanted to know what our buildings, machinery, and everything was worth, and that was 1913 when prices were low, and they were appraised by an appraisal company at that time, and those were the figures that we arrived at.

Mr. HENY. Who was the appraisal company? Do you remember?

Mr. ARMOUR. Yes: the appraisal company of Milwaukee. Perhaps you know what the name of that is. I do not; but I know they are located in Milwaukee.

Mr. HENY. No; I do not know.

Mr. ARMOUR. Perhaps some of your men know there; it is a Milwaukee appraisal company.

Mr. HENEY. That was appraisal of their value at that time, 1913?

Mr. ARMOUR. It was on that date; yes, sir.

Mr. HENEY. So that that \$70,000,000 for land, buildings, and machinery itself contains some inherent increment, does it not; that is to increased value of the land was considerable, was it not, over what it cost the company?

Mr. ARMOUR. From 1913 to now?

Mr. HENEY. Over what it cost the company originally?

Mr. ARMOUR. Oh, yes; there was the difference there of between what we bought the land for 20 years ago; is that what you mean?

Mr. HENEY. Yes.

Mr. ARMOUR. The difference between what we bought the land for 20 years ago and that was put up as a value in 1913, the same as they do in every other large concern.

Mr. HENEY. Do you know what difference that made in there [indicating]?

Mr. ARMOUR. No; I do not remember.

Mr. HENEY. You write off the abbreviation?

Mr. ARMOUR. Yes; we do.

Mr. HENEY. You write that off on the appraised value or on the original cost value of the machinery and buildings?

Mr. ARMOUR. We write that off on those values.

Mr. HENEY. On these appraised values made in 1913?

Mr. ARMOUR. Yes, sir; that is the basis of our books. We do not know any other figures now except those figures that the appraisal company gave us in 1913, when we put our bond issue out.

Mr. HENEY. You have an inventory of current assets—products, material, and supplies, \$150,000,000?

Mr. ARMOUR. Yes.

Mr. HENEY. That includes pork products, I suppose?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. That would be the bulk of it?

Mr. ARMOUR. Oh, I do not know; I would think so; yes.

Mr. HENEY. You do not hold any beef products to amount to anything?

Mr. ARMOUR. No.

Mr. HENEY. Well, those pork products were pretty high at the time that this inventory was made, were they not?

Mr. ARMOUR. Yes.

Mr. HENEY. You took them at the then market prices, did you not, in the inventory?

Mr. ARMOUR. We took them at a price that was given us, as I understand, by the Food Administration.

Mr. HENEY. Given you for what?

Mr. ARMOUR. For inventory purposes—given all the packers.

Mr. HENEY. And do you remember what that price was on the pork products or on bacon and ham?

Mr. ARMOUR. No; I do not.

Mr. HENEY. Well, it was considerably higher than what the bacon and ham had cost you, was it not?

Mr. ARMOUR. I would not think so; no, I would not think so, because the price of hogs had been high; it had been practically the same level right along.

Mr. HENNEY. Right along since when? This was from November?

Mr. ARMOUR. I would not think they were very much higher; in fact, I do not think our inventory showed very much of any profit, if any.

Mr. HENNEY. You do not carry your pork products so that you can show whether there is a profit on the inventoried amount, do you? As a matter of fact, you do not put your costs on your pork products; you carry them at the current market prices?

Mr. ARMOUR. At the current market prices; yes, sir.

Mr. HENNEY. So that you have no way of telling whether on the pork products it has increased or not?

Mr. ARMOUR. Oh, yes; we have to.

Mr. HENNEY. How?

Mr. ARMOUR. We are given the price here by the Federal Trade people for the Food Administration—does the Food Administrator use the Federal Trade people?

Mr. MAYER. I think they do.

Senator NORRIS. The Food Administration?

Mr. ARMOUR. Does the Food Administration use the Federal Trade examiners? I do not know. But, nevertheless, the Food Administration gave us our prices; they gave all the packers prices; they gave them all the same prices, I understand, for their inventory, so that everybody would be on the same basis; and that \$150,000,000 is arrived at by the prices that the Food Administration has given us.

Mr. HENNEY. That price, if it was a cent a pound more than that actually cost you on \$250,000,000 would show a profit; it might be \$5,000,000 or \$6,000,000 profit, might it not, on the \$150,000,000; a 30 pound would make that?

Mr. ARMOUR. Of course, Mr. Heney, I do not know just what you are trying to arrive at, but the prices the Food Administration gave us are the market prices or are so much less than the market prices; that is, what they gave us.

Mr. HENNEY. What I am trying to arrive at is this, Mr. Armour: In this \$150,380,000, covering inventories of products, material, and supplies, there may be a hidden profit? I do not mean that you attempted to hide it, but that as a result of the method adopted by the Food Administration, or whoever it was, there may be a hidden profit of from \$5,000,000 to \$10,000,000 or even \$15,000,000?

Mr. ARMOUR. No, Mr. Heney, there could not be. The only way there could be a hidden profit there is if the market advances very rapidly for some reason or other—if there was a great advance in the market—it would not be a hidden profit; it would be a profit that would have occurred between the time that you took the inventory and the time these prices went up. But it could not be called a hidden profit in any way, in the remotest degree of a man's imagination.

Mr. HENNEY. You say that the Food Administration gave you a price less than the market price?

Mr. ARMOUR. They gave us, as I understand it, a price, I think it is 75 cents a hundred less for expenses of marketing the stuff, but that is sooner or later—

Mr. HENEY (interposing). That price, to the extent it was less than the market price, would lessen your profits just that much, would it not, on the figures shown by the books?

Mr. ARMOUR. No, Mr. Heney, it would not; because when you come to sell those goods that you have on hand there is an expense; it has got to come. It is there, you can not get away from that expense. That expense is going to be with you when you market the goods.

Mr. HENEY. That is true of any business, is it not?

Mr. ARMOUR. Yes; and it is also true, if you will allow me to say it, that any man who closes his books in any business figures that expense; if he does not, he is foolish.

Mr. HENEY. Exactly; and when you say figuring the—

Mr. MAYER (interposing). You asked me a question, and you said I might ask you one. May I?

Mr. HENEY. Certainly.

Mr. MAYER. This is merely to get the committee, as well as yourself, right or get me wrong.

You say that current assets—material, products, and supplies—are \$150,000,000 on this account?

Mr. HENEY. Yes.

Mr. MAYER. And you say that there might be \$5,000,000 or \$10,000,000, or \$15,000,000 hidden profit in that?

Mr. HENEY. There could be, I think.

Mr. MAYER. In other words, if that is so, that you have \$5,000,000 or \$10,000,000 or \$15,000,000—suppose there is \$10,000,000 hidden profits in that; then that \$150,000 ought to be \$140,000,000, if that is the real figure.

Mr. HENEY. Oh, no; I think it would be \$160,000,000.

Mr. MAYER. Oh, no; then it is taken for less?

Mr. HENEY. Oh, no; he says it is taken for less; he says it is taken at the available market price. If put at the market price it would be above this; it might be \$5,000,000 or \$10,000,000 more.

Mr. MAYER. Your opinion is that \$150,000,000 ought to be \$160,000,000?

Mr. HENEY. I do not say it ought to be; I say it might be.

Mr. MAYER. It could be \$150,000,000 if it is inventoried at less than it is worth?

Mr. HENEY. Certainly; and Mr. Armour says it is inventoried at less than the market price. The question is how much less than the market price.

Mr. ARMOUR. Mr. Heney, when I say it is inventoried at less than the market price, I mean the expenses of marketing is naturally taken off. That is the same as anybody does, and what I understand you are trying to do—if you will allow me to say so—that your intention is perhaps there are some hidden earnings in that \$150,000,000?

Mr. HENEY. No. My point is that this method of arriving at it does not accurately reflect the true profit of Armour & Co. for that year.

Mr. ARMOUR. It does, Mr. Heney; yes.

Mr. HENEY. My contention—

Mr. ARMOUR (interposing). In my opinion.

Mr. HENNEY. My contention is it may not, and the only way that the committee can know is to know what was fixed by the Food Administration, and how nearly that accorded with the market prices.

Mr. ARMOUR. Mr. Heney, may I make a suggestion?

Mr. HENNEY. Yes.

Mr. ARMOUR. Of course, I do not think there is anything there. Of course, I know what you would like to bring forth, that there is a hidden profit there, and for that reason those figures do not amount to anything. I do not suppose you will take my word for it.

Mr. HENNEY. No; Mr. Armour, I am not contending—

Mr. ARMOUR. I do not suppose you will take my word for it, but there is not any hidden profit; but you do not have to take my word for it. You call the Food Administration in here and ask them. They will tell you. You see what I mean. I am telling you as well as I am able to.

Mr. HENNEY. Let me define my position. You speak about taking your word for it. I do not think you know, Mr. Armour, the details of these matters at all. You accept the figures that are given to you by other people who have worked it and who have your confidence and are employed by you for the purpose. That does not reflect upon your credibility as a witness.

Mr. ARMOUR. Mr. Heney, I do not know, naturally, all the figures. But I do know the general principles of Armour & Co. That is my business, to know the general principles of Armour & Co. I know that when we come to sell those hogs that we will perhaps net that much for them, if the market does not change either way. Do I make myself clear?

Mr. HENNEY. Yes, sir; you do make yourself clear.

Mr. ARMOUR. Well, we will net that much for them, and that is all. If the market goes up we will get more than that; if the market goes down we will get less than that figure. But I tell you, with all sincerity, that those prices that are used to arrive at \$150,000,000 are based on the market, allowing for, as I understand it, marketing expenses that are there. They are just as much there next week as they are to-day, because when those goods are sold to-day they have got to carry those figures.

The only reason that the Food Administration are giving us the prices is because they want to have all the packers on the same basis. Our figures will show on the same basis. There would be a great deal more reason, you know Mr. Heney, if we gave those figures—if Armour & Co. gave those figures—to our men, there might be some reason in it. You might say, "Quite right, why, Mr. Armour, there may be two million or three million dollars in there." But, there is no reason in the world for you to say that, as the Food Administration has given us those figures. They said to Mr. Armour: "Mr. Armour, these are the figures that you can figure your inventory at." There is not any reason in the world why you would be interested in securing those figures any other way except the market as you knew it.

Mr. HENNEY. That would depend altogether on my viewpoint. If I saw the man who was giving it and if Mr. Dana Durand is the man who gave it, as I gather his viewpoints from certain documents I have read, I would not trust his viewpoint as quickly as I would yours, Mr. Armour.

Mr. ARMOUR. Of course, Mr. Honey, you have got to trust somebody. And if the Food Administration are there to exercise a certain function, I have got to accept that function.

Mr. HENEY. I am not questioning that at all; I am only trying to get at the question.

Mr. ARMOUR. And I have given the figures to you.

Mr. HENEY. I am not criticizing you for doing it; I am only trying to bring out before the committee the possibility that this may not reflect accurately—I do not mean that it is any fault of yours. Mr. Armour—but the method adopted may not reflect accurately what is the true condition of that. The difference of viewpoint of a cent a pound there on pork products could make a difference of from \$5,000,000 to \$10,000,000? That is the point I am making.

Mr. ARMOUR. Mr. Heney, it certainly could.

Mr. HENEY. Well, that is all there is to it.

Mr. ARMOUR. But that does not exist. Assuming that anything could happen—I may agree with you on that—almost anything can happen nowadays, but that does not happen to have happened in this case, in my opinion.

Mr. HENEY. I want to take up another question with you along those lines on business matters. In estimating the profits of a business at the end of a year you estimate your profits upon your capital at the beginning of the year, do you not?

Mr. ARMOUR. Yes, Mr. Heney.

Mr. HENEY. You do not, in figuring your profits at the end of the year on your books, say: "Now, I have borrowed \$1,000,000 during the year, and, therefore, my capital was \$1,000,000 more than the books showed." If you borrowed it from time to time, do you, in ordinary bookkeeping, do that?

Mr. ARMOUR. You mean add it to the capital?

Mr. HENEY. Yes.

Mr. ARMOUR. No; but you do not borrow the money unless you can make money out of the borrowed money?

Mr. HENEY. You do not add it to your capital on your books at the end of the year in that business?

The CHAIRMAN. You mean you do not borrow money unless you expect to make money out of it?

Mr. ARMOUR. Naturally; of course you do not add anything to the capital you do not own. Your capital is something you own. Of course, if you go out and borrow something, you do not own it.

Mr. HENEY. I am taking the ordinary business. I want to show what the business methods of the Food Administration means in respect of limiting your profits. Suppose, in an ordinary business your capital is \$10,000,000, and at the end of the year you figure your profits that you have made and arrive at the figure of \$2,000,000 net profits. You figure that \$2,000,000 as made upon the \$10,000,000, do you not?

Mr. ARMOUR. Yes; if you confine yourself to the \$10,000,000, but—

Mr. HENEY. Do you mean to say that if you borrow money in the conduct of your business from month to month that when you come to determine how much you have made that you have made that money on your capital and put it on your books, and you figure in

the borrowed money that you borrowed from time to time and turn over?

Mr. ARMOUR. No, Mr. Heney. But I will tell you what I do figure, for I know what you are driving at.

Mr. HENNEY. Sure; I told you in advance. [Laughter.]

Mr. ARMOUR. Thank you. But you can not expect, Mr. Heney, that anybody is going out to borrow money when they have got enough of their own money, and it is to the interest of the people to have them do a large business in case of war or anything like that—that they are going to borrow unless they can get some assurance of making a profit on the borrowed money. That is what you are driving at, is it not?

Mr. HENNEY. Mr. Armour, if there had been no war, but if there had been for some other reason the same opportunity to increase your business that the war gave you, do you mean to tell me that you would not have done it with the same prospect of profit that you had at the time you did this?

Mr. ARMOUR. Yes, Mr. Heney; and we would have probably made just the same profit, too.

Mr. HENNEY. You would have done it?

Mr. ARMOUR. And we would have just the same profit.

Mr. HENNEY. You figured at the end of the year that you had made your profit on borrowed money?

Mr. ARMOUR. Mr. Heney, there is not any difference in the figures of the Food Administration and the figures by Armour & Co. or anybody else, whether the Food Administration exists or does not exist.

Mr. HENNEY. Let me ask you a few questions about that. Under Mr. Hoover's regulations, or the Food Administration's regulations, you were supposed to be allowed to earn only 9 per cent?

Mr. ARMOUR. Yes, Mr. Heney.

Mr. HENNEY. Upon a certain class of commodities?

Mr. ARMOUR. Yes.

Mr. HENNEY. Take meat commodities; things that had nothing else but meat in them, 9 per cent on what?

Mr. ARMOUR. On the money and the capital invested in the business.

Mr. HENNEY. On the money and the capital invested in the business.

Mr. ARMOUR. On the money invested in that particular business.

Mr. HENNEY. In other words, they let you earn, did they not, 9 per cent on capital, surplus, and all money borrowed temporarily for use in the business?

Mr. ARMOUR. Yes, sir; and quite rightly so.

Mr. HENNEY. So that if you borrowed \$1,000,000 and turned it over at the end of two weeks and repaid it, and then borrowed another \$1,000,000 and turned it over at the end of another two weeks and paid it, you could earn 9 per cent on each of those borrowed sums of money during the year; is that correct?

Mr. MAYER. Five per cent a year.

Mr. ARMOUR. On the average amount of money invested in the business. It does not make much difference whether you had it one week or three weeks, but that is not what it was. As I understand it, the Food Administration gave the packers 9 per cent on the aver-

age amount of capital invested for conducting a certain business. I contend that is no different than it was before the war or it will be after the war, or it will be for anybody else that is in business, because a man does not go out and borrow money and take the chances and risks that go with borrowing money unless he expects to make a profit on the money borrowed. If you do not give him that profit, or if he does not make that profit, he naturally does not go out and borrow the money. So that the Food Administration was not giving the packers any more nor any less than they always have and always will have, because that is a fundamental business principle. If you have \$100,000, Mr. Heney, and you can do a business for \$100,000 and you see by going out and borrowing \$100,000 you can perhaps double that business and make more money—not simply going to borrow \$100,000 and earn the rate you pay the bank and nothing more, because on that basis you will not go and borrow the money.

Mr. HENEY. That is true, Mr. Armour.

Mr. ARMOUR. If that is what you mean? Perhaps I do not understand.

Mr. HENEY. That is what I mean, Mr. Armour, and if a corporation has \$100,000 capital, and during the course of the year, in order to increase its business, it borrows \$300,000 and uses it and makes 9 per cent on it, as well as on its \$100,000 of capital, at the end of the year it reports to its stockholders: "We have had a fine year; we have made 40 per cent upon our capital of \$100,000." Does it not make that report?

Mr. ARMOUR. I would guess so.

Mr. HENEY. Then is it not misleading for Mr. Hoover or the Food Administration to announce to the public that the packers were limited to 9 per cent, when, as a matter of fact, they can make 40 per cent, if they borrow money?

Mr. ARMOUR. A packer can not make 40 per cent, because you can not go out—you can not expect—I do not know just how that figures out, but the packers are no different from you, and you are no different from the packers. You will not go out and borrow money unless you can make money on it. The Food Administration and the packers are no different from the ordinary man who walks along the street in that regard.

Mr. HENEY. I am only getting at what your limitation was, Mr. Armour. As a matter of fact, did not the Food Administration allow you to deduct as expenses all interest paid on borrowed money over and above 5 per cent?

Mr. ARMOUR. They did, sir; and should have done so.

Mr. HENEY. And then, as a matter of fact, you were permitted to earn 13 per cent instead of—

Mr. ARMOUR (interposing). No.

Mr. HENEY. Nine per cent.

Mr. ARMOUR. No: we made 4 per cent on the borrowed money.

Mr. HENEY. Four per cent on the borrowed money and 9 per cent on your surplus capital?

Mr. ARMOUR. Yes.

Mr. HENEY. Four per cent on all borrowed money?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And your borrowed money under the conditions might be more than your total capital and surplus?

Mr. ARMOUR. If the requirements were there, it might; yes.

Mr. HENNEY. And on class A it would be the equivalent of allowing you to earn 13 per cent, would it not?

Mr. ARMOUR. I do not think so. I have not figured it up. But, however, as a matter of fact, the way it did work out there was not a packer that made as much money as the Food Administration allowed them to make; that is the way it has worked out.

Mr. HENNEY. They did during the first six months, did they not?

Mr. ARMOUR. Of what?

Mr. HENNEY. Of the regulations.

Mr. ARMOUR. I do not know; but, of course, you know, no banker figures on six months' business. We have got to make the year's business; that is, to average. Any business has got to take a year's averages.

Mr. HENNEY. Your statement that you have not made as much money is based upon these financial statements, of course?

Mr. ARMOUR. Yes.

Mr. HENNEY. Although we have not them complete yet.

Mr. ARMOUR. You can get those, Mr. Heney, if you want them.

The CHAIRMAN. The committee will now take a recess until 2 o'clock this afternoon.

(Thereupon at 12.55 o'clock p. m. the committee took a recess until 2 o'clock this afternoon.)

AFTERNOON SESSION, JANUARY 25, 1919.

The committee met at 2 o'clock p. m., pursuant to the taking of recess.

STATEMENT OF MR. J. OGDEN ARMOUR—Continued.

Mr. HENNEY. Mr. Armour, is it your view that the refrigerator car is the most important factor in the development of the dressed-beef industry as it is now conducted by the large packers?

Mr. ARMOUR. I would not say, Mr. Heney, that it was the most important; but it is an important factor.

Mr. HENNEY. And it was the one that started the dressed-beef business originally?

Mr. ARMOUR. I do not think the dressed-beef business could have been developed to the point it is now without the refrigerator car.

Mr. HENNEY. In this report of the Senate committee, to which I have referred, of May 1, 1890, the special committee of which Mr. Vest was chairman—

Senator PAGE. Is that the hearing before the Committee on Transportation and Sale of Meat Products?

Mr. HENNEY. Yes, Senator.

On page 2 the committee's report says:

Another fact about which there existed no diversity of opinion was that the methods of selling beef cattle has been entirely revolutionized in the past 10 years.

This report was written in 1890, I suppose we may assume that it was filed May 1, 1890. That would bring this period back to 1880.

In place of the old system, when shippers and butchers went from one cattle raiser to another, competing in the purchase of cattle, there is now a concentration of the market at a few points—Chicago, Kansas City, Omaha, St. Louis, Cincinnati, and Pittsburgh, with the controlling market at the first-named city. The cattle producer no longer has a market at his door, but must take or ship his cattle to the market in one of these cities. This revolution in the manner and markets for selling cattle has been caused by the construction of railroads, subsequent combinations between these corporations, and the establishment of stockyards owned by parties controlling the railroads upon whose lines these yards are located; but especially by the fact that a few enterprising men of Chicago, engaged in the packing and dressed-beef business, are able through their enormous capital to centralize and control the beef business at that point. So far has this centralizing process continued that for all practical purposes the market at that city dominates absolutely the prices of beef cattle in the whole country. Kansas City, St. Louis, Omaha, Cincinnati, and Pittsburgh are subsidiary to the Chicago market, and their prices are regulated and fixed by the great market on the Lake.

Speaking generally, is the price of cattle fixed by the Chicago market in the United States to-day?

Mr. ARMOUR. Well, I think it has a great deal to do with the price of cattle; yes, sir.

Mr. HENNEY. And the other markets attempt to keep in line with the Chicago market. Is that right?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And by the other markets I mean the other large stockyards markets?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. The committee says:

In order to ascertain the origin of the present centralized condition of the cattle market it is necessary to go back some years, to what is known as the evener combination, which began in 1873 and continued for five years.

By the terms of this combination these three great trunk railroads running from Chicago to New York—the Pennsylvania Central, New York Central, and Erie—entered into an agreement to charge \$115 for each carload of cattle shipped over their lines from Chicago to New York, and to allow certain shippers in Chicago, known as the "eveners," \$15 of this amount on each carload of cattle so shipped.

Was Armour & Co. one of the so-called "eveners"?

Mr. ARMOUR. I don't think they were; but I would not know. That was before I was in the business.

Mr. HENNEY. Yes; that would be before your day; that is right. The committee says:

The evener combination terminated about 1878-79, and when we consider the fact that these three great roads composing it monopolized the entire cattle transportation from Chicago to New York, amounting to 4,000,000 cattle between 1871 and 1879, and that the enormous sums paid by cattle shippers at the stockyards upon the lines of these railroads were added to freight charges, and the whole amount collected from the cattle interests, some idea may be formed of the profits divided by the parties engaged in this conspiracy. * * *

In 1878 the dressed-beef business, although it had existed for some years before, first assumed an important character; and from the fact that the result of the evener combine had to concentrate the cattle trade at Chicago, the dressed-beef interest necessarily had its home at the same place. It is a curious fact that the evener combination ceased about the time that the dressed-beef interest began its phenomenal career, but it is not difficult to account for this coincidence.

The two interests were necessarily antagonistic, except as to one source of profit, which continued under both systems. While it is evident that the evener combine depended for its profits upon the cattle shipped from Chicago to the East, and the dressed-beef interest depended for its profits upon the cattle slaughtered in Chicago, it is apparent that the Union Stockyards in that city

continued in either case to collect exorbitant charges from the cattle owner and shipper. Of these charges and the ownership of these yards we shall treat hereafter.

Then they say:

The dressed-beef industry assumed importance in 1877, and its increase is shown by the following table:

Chicago slaughtering for 12 years.

Years	Received.	Shipped.	Cattle, including 3 per cent calves, slaughtered for Chicago use, refrigerator and canned goods trade.	
			Number of head.	Per cent of gross receipts.
1878.....	1,083,068	669,490	413,578	38
1879.....	1,215,732	692,061	523,671	43
1880.....	1,381,477	833,835	548,642	39
1881.....	1,547,498	880,853	666,645	43
1882.....	1,607,495	820,585	786,909	55
1883.....	1,909,167	841,136	1,068,031	55
1884.....	1,870,050	661,127	1,208,923	64
1885.....	1,964,018	619,818	1,354,200	69
1886.....	2,015,190	570,705	1,444,485	71
1887.....	2,447,867	605,812	1,832,055	75
1888.....	2,707,629	722,295	1,985,334	73
1889.....	3,146,249	1,005,547	2,140,702	68
Total.....	22,896,440	8,923,265	13,973,175	66

The CHAIRMAN. What was that table read from?

Mr. HENEY. From the record of the Senate committee.

The CHAIRMAN. The Vest report?

Mr. HENEY. Yes. The report shows that the number of head of cattle slaughtered in 1878 was 413,578; and that 38 per cent was the percentage of the gross receipts for that year. That percentage slaughtered in Chicago, as compared to the cattle received, went to 43 per cent in 1879; 39 per cent in 1880; it went back, then, to 43 per cent in 1881; to 55 per cent in 1882; it was 55 per cent in 1883; 64 per cent in 1884; 69 per cent in 1885; 71 per cent in 1886; 75 per cent in 1887; 73 per cent in 1888; and 68 per cent in 1889. Now, slaughtering in Chicago was for canning purposes and dressed-beef shipments also during those years, was it not, Mr. Armour?

Mr. ARMOUR. Well, I presume so.

Mr. HENEY. Do you recall that there was a very large amount of canning?

Mr. MAYER. I beg your pardon, but you have that table in your record.

Mr. HENEY. Yes.

And then the committee says:

From this table it will be seen that in 1887, 75 per cent and in 1889, 68 per cent of all the cattle received in Chicago were used in the dressed-beef and canning business, including the beef and veal for the city markets.

The enormous extent of the beef-canning business can be seen from the statement that in 1888 there were 584,533 cattle slaughtered in Chicago for canning purposes alone, and in 1889 it is estimated that over 2,000,000 cattle were killed there for the local dressed-beef trade.

Dressed beef is shipped to every part of the United States in refrigerator cars, and to foreign countries in the refrigerating compartments of steamships constructed especially for that purpose. Canned beef reaches every mining and lumber camp and is sent abroad in vast quantities.

This great business is practically in the hands of four establishments at Chicago—Armour & Co., Swift & Co., Nelson Morris & Co., and Hammond & Co. Of these Armour & Co. and Swift & Co. are the largest houses, their maximum capacity for slaughtering being 3,500 cattle, 3,000 sheep, and 12,000 hogs every 10 hours. Besides the houses at Chicago there are branches of Armour & Co.'s establishment at Kansas City, Mo., and Omaha, and of Swift & Co. at Kansas City and Omaha, and of Nelson, Morris & Co. at Kansas City and St. Louis.

Senator PAGE. When did you commence in Fort Worth?

Mr. ARMOUR. I think in about 1900.

Mr. HENNEY. Now, on page 6 the committee says:

First. It is admitted that they combine to fix the price of beef to the purchaser and consumer so as to keep up the cost in their own interest. (P. D. Armour's testimony, p. 481.)

Do you have any recollection—well, I will read you what the testimony is here on that particular point. This is at page 481 of the testimony taken by the Senate committee:

Q. I have no disposition to inconvenience you. I know that you have a large business and would like to go home. We are in this situation: We have some other witnesses here. I believe it is almost physically impossible to get through to-day. I was in hopes we would end the examination to-day, but it has taken a different course from what I anticipated. We shall have to get an order from the Senate to sit during the sessions of the Senate.

(To the witness.) There is one matter I wish to refer to now before I forget it. I think I asked you the question substantially, but I want to put it in shape. I want to ask you if there was any agreement or understanding between yourself and other persons, whether dressed-beef men or not, as to the price of cuts—that is, ribs, loins, rolls, butts, tenderloins, and clods—that are sold in the States of New York, Pennsylvania, Ohio, Indiana, Illinois, Kentucky, Michigan, and Minnesota, or any of them, that one price should be charged by all of them? You can answer the question or not, as you please. I asked you the same question, substantially, but I want to put it in that form. As to these particular portions of the beef, have you any agreement or understanding?

A. I admit in my evidence that we make price lists.

Q. But that is not the question. Here, of course, is a price list of your house in Kansas City, from which I read; but the point in the interrogatory is as to a combination or agreement. Have you any understanding with other persons, whether dressed-beef men or not, that in certain States, and I have mentioned them, or any of them, you are all to charge the same price for these portions of the beef?

A. At times we do have an agreement of that kind. I have so stated in my statement.

Q. You have an agreement, then, that you are all to charge the same price?

A. Yes, sir.

Q. I understand you to say that you will not state who it is with, but you have such an agreement?

A. Yes, sir.

Did you have any knowledge at that time of that condition, Mr. Armour?

Mr. ARMOUR. No, sir; I was not in the business then.

Mr. HENNEY. Oh, yes; this was in 1890. You were in the business then.

Mr. ARMOUR. Well, I started in 1882 or 1883, and I knew nothing whatever about that. I could not have known about it, in the natural order of things; I was too young, and I did not know anything about that end of the business.

Mr. HENY. Well, as you said the other day, you were expecting to become the head of the business some time, and were endeavoring to familiarize yourself with the business, and you would think it was of considerable importance if the four largest packers in Chicago were in an agreement of that kind, would you not?

Mr. ARMOUR. Mr. Heney, when I started in the business I learned the practical end of the business, and I was many years in the practical end of the business before I had any knowledge of or anything to do with the other end of the business.

Mr. HENY. Do you mean by that—

Mr. ARMOUR (interposing). I was at the stockyards learning the business.

Mr. HENY. You mean you actually learned about cutting and skinning animals?

Mr. ARMOUR. No; I did not physically do that.

Mr. HENY. You familiarized yourself with the methods of operation in the plant?

Mr. ARMOUR. I spent a good part of the early part of my life learning the packing end of the business at the stockyards.

Mr. HENY. By 1890, which would be eight years after you started, you would be along about 27 years old. Were you not taking considerable interest in the business end of it by that time?

Mr. ARMOUR. Not that I would have known about that; no.

Mr. HENY. The committee says:

Second. It is admitted that they have an agreement not to interfere with each other in certain markets and localities in the sale of their meat. (S. B. Armour's testimony, p. 364.)

That you do not know anything about either?

Mr. ARMOUR. No. The business end of it then was run by the elder Armours.

Mr. HENY. I would like to read you these findings, because it appears to me that they have considerable bearing on the question as to how the five largest packers secured the position they now have in the business at the head of the business.

The third finding is:

Third. It is proved beyond doubt that they acted together in supplying meat to the Soldiers' Home at Hampton, Va., the National Hospital for the Insane, and other public institutions at Washington, D. C., the bid for the contracts being made by one, and the meats being then supplied by each of the dressed beef men alternately for stated periods. (Testimony of Dr. W. W. Godding, p. 499; C. B. Purvis, p. 50; G. N. Omohundro, p. 504; W. H. Hoover, p. 502.)

Fourth. They combined in opening shops and underselling the butchers of cattle at Detroit and other places in Michigan and at Pittsburgh, Pa., in order to force them to buy dressed meat. (Testimony of John Duff, p. 154; William Peters, p. 169.)

Fifth. They combined in refusing to sell any meat to butchers at Washington, D. C., because the butchers had bid against them for contracts to supply with meats the Government institutions in the District of Columbia. (Testimony of W. H. Hoover, p. 502; testimony of J. N. Hoover, p. 505; testimony of Santus Auth, p. 508.)

Sixth. They acted together at Chicago in refusing to come before the committee as witnesses, and in preventing their employees and agents from coming, it being an open secret that they met together with their counsel and agreed as to their action.

You think you would have had no occasion to know anything about any of those things at that time?

Mr. ARMOUR. No.

Mr. HENEY. Now, do you know of any underselling going on at the present time where they may be a cooperative establishment in operation like, for instance, there is one at Madison, Wis.? Do you know of any underselling going on in competition with that cooperative establishment there—that packing plant?

Mr. ARMOUR. No, sir; I do not.

Mr. HENEY. You would not keep in touch with the details of that matter, if it was being done, would you? That is to say, it might not come to your attention from your employees if Swift and Armour's employees, and maybe Morris's and Nelson's employees, were taking turns at underselling that cooperative establishment?

Mr. ARMOUR. That would not be possible.

Mr. HENEY. Well, all things are possible, I suppose.

Mr. ARMOUR. Yes; all things are possible; but I hardly think that would be possible, because our people have general instructions that that is not to be done, and that there is not to be done that is done by any agreement whatever, and that could not have been done without some sort of agreement with Swift or Morris or the other people.

Mr. HENEY. Well, it could readily be done by an understanding among the representatives of Armour, Swift, and Morris, who were responsible for the selling in that particular district, could it not?

Mr. ARMOUR. It could have been done, if they violated orders, yes; but it is not likely it would be done, because they have specific orders not to enter into any agreements or arrangements with our competitors on anything.

Mr. HENEY. Well, you testified, as I understand it, in the House, that there was no agreement between you and Swift to purchase cattle on a 50-50 basis at Denver?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. But, as I understand it, you say you aimed to get 50 per cent of the receipts, to hold up your position in the business there, as against Swift. Is that correct?

Mr. ARMOUR. Yes, sir; we aimed to get the share of the business that the house had when we took the house over, which was one-half the business. We aimed to maintain that business.

Mr. HENEY. Is that the attitude you take as to every house you may acquire in the business?

Mr. ARMOUR. Generally speaking, yes, sir.

Mr. HENEY. Do you think Swift, from your observation of his method of doing business, aims to do the same thing?

Mr. ARMOUR. To maintain their position?

Mr. HENEY. Yes.

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And each of the others of the Big Five?

Mr. ARMOUR. I would think so; yes, sir.

Mr. HENEY. In each place where the five of you are doing business, you understand perfectly well that each one is striving to maintain his relative position there as it was some time ago. Is that correct?

Mr. ARMOUR. Yes, sir. That is what we try to do; yes.

Mr. HENEY. And you understand that each one of the others is trying to do it?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And you have no doubt that each one of the others, each one of the Big Five, has the same understanding that you are trying to do it, the same as he is trying to do it?

Mr. ARMOUR. I would naturally think they would have; yes, sir.

Mr. HENNEY. Now, what difference would there be in the result, if there is that tacit understanding on the part of each one that he is aiming at maintaining the relative position he had at the time he acquired his interest there—what difference in the result is there between that tacit understanding and the actual agreement?

Mr. ARMOUR. Well, you could hardly call it any tacit understanding. Armour & Co. try to maintain their position in the trade and try to do the same amount of business that we have done heretofore; that we have always done. That is the position we have occupied, and we try to keep that position. We are not always able to keep that position, but we do the best we can to keep it. And if anybody has an advantage over us in buying or is buying cheaper, of course we can not hope to maintain that position.

Mr. HENNEY. I am confining myself to quantity now. Did you and Swift go into Denver at the same time?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. That was on the dissolution of the National Packing Co.?

Mr. ARMOUR. Yes.

Mr. HENNEY. Now, at the time you were dividing up those properties did you have some considerable discussion as to how they should be divided up?

Mr. ARMOUR. Naturally. They were a long time in dividing up the National Packing Co.

Mr. HENNEY. In having them divided up, was it your aim to go on an equality, as nearly as possible, with Swift?

Mr. ARMOUR. Or better, if possible.

Mr. HENNEY. Or better, if possible?

Mr. ARMOUR. Naturally.

Mr. HENNEY. Now, Armour, Swift, and Morris owned the National Packing Co. in certain proportions?

Mr. ARMOUR. Yes.

Mr. HENNEY. And those proportions were based upon an inventory of their assets at the time they went into the National Packing Co., as I understand it. Is that right?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Now, in dividing up the National Packing Co., was it your aim to get your proportion of the business being done in these units of the National Packing Co. which was represented by your proportion of the stock of the National Packing Co.?

Mr. ARMOUR. As well as we could; yes.

Mr. HENNEY. And that was carried out by agreement among you, as well as you could, to divide it up?

Mr. ARMOUR. I think so.

Mr. HENNEY. And you went into Denver at the same time, and you took one plant and Swift the other plant that had belonged to the National Packing Co.?

Mr. ARMOUR. Yes.

Mr. HENEY. And you figured that those two plants before they became units in the National Packing Co. had been doing about the same amount of business?

Mr. ARMOUR. They had been; yes, sir.

Mr. HENEY. And then your understanding was that you——

Mr. ARMOUR. My understanding with myself?

Mr. HENEY. No. Your intention and aim was to continue to maintain a 50-50 basis there as long as Swift was running the other plant and you were running this one?

Mr. ARMOUR. That is the idea——

Mr. HENEY. You were not——

Mr. MAYER. Let him finish, please.

Mr. HENEY. I thought he had finished.

Mr. MAYER. No; he had not.

Mr. ARMOUR. When the National Packing Co. was dissolved, there were two plants at Denver, and they had for some years been doing about the same amount of business under the National Packing Co. We took one plant and Swift took the other plant. Naturally when we took that plant it was our desire then, the same as it would be now, to maintain the position the plant we took over had in the trade previous to the time we took it over, and that happened to be in that case one-half the business, and we naturally would want to maintain that half.

Mr. HENEY. And it was your belief at that time that Swift would attempt to do exactly the same thing?

Mr. ARMOUR. He has done it.

Mr. HENEY. And that has been his uniform practice, has it?

Mr. ARMOUR. Yes; he has done it since.

Mr. HENEY. Now, then, you and Swift—and by you and Swift I mean Armour & Co. and Swift & Co.—both went into Fort Worth at the same time, did you not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Now, in going into Fort Worth you were not dividing up any properties that the National Packing Co. had, were you?

Mr. ARMOUR. No, sir.

Mr. HENEY. You were going in—you went in both together, at the same time. How did that come about?

Mr. ARMOUR. There was a stockyard at Fort Worth, owned by Simpson and Niles, and possibly some others, but they were the people we knew; and they were after Armour & Co. to buy out their stockyards. They were not doing very well. There were no large packing houses down there, although there was a little packing house that Niles ran, but it was a small concern. I went down there and looked it over, and we bought the whole property——

Mr. MAYER. You do not mean you bought the whole property.

Mr. ARMOUR. No. We bought the stockyards. And then when Swift heard we were going down there, he went over and was going to locate a packing house at Dallas, which is only 30 miles, possibly, from Fort Worth; so when we heard that, rather than have Swift building a packing house at Dallas, which was 30 miles away, and divide up and make two stockyards, we sold Swift a half interest. We sold Swift the same amount of interest in the yards that we had, and

then at that time he built a plant down there and we built one, and we built at the same time. So that is the way we located at Fort Worth.

Mr. HENNEY. Now, when you had this talk with Swift, and suggested to him he come over to Fort Worth, did you not reach an understanding that if he was to come over there it was going to be on a 50-50 basis, that he would own one-half the stock of the yards, or half as much as you did?

Mr. ARMOUR. I think that is the only way he would come over.

Mr. HENNEY. Then, that is the way it was done?

Mr. ARMOUR. Substantially; yes, I think.

Mr. HENNEY. And you got \$660,000 worth of stock in the yards and \$300,000 worth of bonds. Is that correct?

Mr. ARMOUR. Well, we bought the yards at a certain price. I don't remember exactly, because it has been several years ago, and I know we spent a good deal of money in enlarging the yards, and we each built a packing house. Previous to that time the yards had not paid. There had been no facilities, and we brought facilities down there when we went there, and we enlarged.

Mr. HENNEY. Did you enlarge the yards before you built the packing plant?

Mr. ARMOUR. No; at the same time we built the packing plant, but we have enlarged the yard several times since then.

Mr. HENNEY. But the yards had a capital stock when you took them over? They were held by a corporation?

Mr. ARMOUR. I think so; yes, sir.

Mr. HENNEY. And you divided the stock of the corporation between you, each taking \$660,000 worth of stock, did you not?

Mr. ARMOUR. Out of the stock; yes. Whatever the stock was, it was divided, but we paid something.

Mr. HENNEY. Did it have bonds out at the time?

Mr. ARMOUR. I think not. I think we put the bonds out as we spent the money, or, rather, we put the bonds out and that is where we got the money for building the yards.

Mr. HENNEY. How much money did you spend on those yards, do you think?

Mr. ARMOUR. I could not tell you offhand, but we spent a good deal of money on them.

Mr. HENNEY. Do you think you spent as much as \$600,000?

Mr. ARMOUR. Yes; I think four or five times as much as that.

Mr. HENNEY. On the yards?

Mr. ARMOUR. I think we did, sir.

Mr. HENNEY. Well, not in the beginning?

Mr. ARMOUR. Well, yes; right along. Of course not the first day we took the yards over.

Mr. HENNEY. Out of earnings on the yards, largely?

Mr. ARMOUR. No, no. We had no earnings on the yards until we developed the yards; we had none for some years. In fact, for some years the yards went along; did not make any particular money, as I understand it.

Mr. HENNEY. Now, when you agreed to go down there, you and Swift each understood that you were each to put up the same sized plant, did you not—that is, a plant of the same capacity?

Mr. ARMOUR. I do not think there was much understanding about it. I think it was a natural thing. Swift had half the yards, and we had the other half, and I think, as a matter of fact, we did put up about the same sized plant; yes, sir.

Mr. HENRY. And do you know, as a matter of fact, that in 1916, in purchasing several hundred thousand head of cattle there, you and Swift were only four head apart for the year?

Mr. ARMOUR. That is what they told me. I did not know that. That was a coincidence, of course, only being four head apart.

Mr. HENRY. With that aim on your part to do half the business there, and Swift's aim to do half the business there, do you think that that created any real competition?

Mr. ARMOUR. Well, I think anybody down there will tell you that there is as much competition, in fact, there are a great many commission men down there, and they have grown to be quite large yards, and I think anyone down there, anyone who ships cattle there, to commission men, will tell you that there is a whole lot of competition.

Mr. HENRY. And there has been a good deal of complaint, too, on the part of cattle men that there has not been competition there.

Mr. ARMOUR. Yes; there has been, but personally I do not think that is correct.

Mr. HENRY. But unless you run the Fort Worth yards on prices somewhere near in line, they will go by Fort Worth and go to some other stockyards, will they not?

Mr. ARMOUR. Yes; they will.

Mr. HENRY. So that, in that event, you are forced, you and Swift, to come up part way?

Mr. ARMOUR. I tell you for a long time after we started those yards, our prices at Fort Worth were very much higher than they were, for instance, in Kansas City. Now, Kansas City prices and Fort Worth prices—that is, the comparison, because the cattle ordinarily would go to Kansas City, and we paid at the beginning big prices in order to get the people to ship cattle to Fort Worth, like any other new industry; they would naturally get the stock there, and you would have to pay big prices to get them there.

Mr. HENRY. That is, you have to give them some inducement to ship there instead of where they have been shipping?

Mr. ARMOUR. I presume you could call it that. And also, we had to pay big prices because we had to run our plant as fully as we could, and in the early days the receipts there were light. In other words, we built in advance of the times. For a long time we did not run our house there to anywhere near full capacity, or anywhere near to any capacity that would pay us. In other words, we had to develop the country when we went down there, because there was nothing but cattle there then; there were no hogs down in Texas to speak of, and we had to educate them to raising hogs, and I think in a great measure the packers were instrumental in getting the people of Texas into the hog business, which was to their advantage, naturally, after they got in it.

Mr. HENRY. Yes. Well, now, suppose that Wilson wanted to buy hogs in the Fort Worth market. Would you folks feel that he was butting in on your business?

Mr. ARMOUR. I would not want him to buy hogs on the Fort Worth market, naturally.

Mr. HENNEY. And if he started buying hogs on the Fort Worth market, and there was some market where he was occupying an advantageous position, the same advantageous position which you occupy at Fort Worth, you would be inclined to go into that market where he had the advantageous position and buy hogs against him as a retaliative measure?

Mr. ARMOUR. Why, if it continued for any length of time, yes, naturally.

Mr. HENNEY. Let us take Omaha. Wilson & Co. do not buy on the Omaha market, or, at least, Wilson & Co. did not buy on the Omaha market, or Sulzberger & Sons did not buy hogs on that market, for some years, did they?

Mr. ARMOUR. No; I believe not.

Mr. HENNEY. And I want to call your attention to a letter written by Mr. Meeker, which is dated March 24, 1917, so it is somewhat recent.

(Mr. Henney read the letter, as follows:)

CHICAGO, March 24, 1917.

Mr. T. E. WILSON,

President Wilson & Co., Union Stock Yards.

DEAR MR. WILSON: Our hog department say that any hogs that your people bought in 1912 or 1915 in Omaha they bought under cover. They never maintained a salaried buyer there. What few they bought they bought through a speculator named "Red" Murphy, who used all kinds of schemes in shipping them out to have their destination unknown—shipping them to a junction point and then they would be reconsigned under fictitious names.

As soon as the matter was taken up with the S. & S. Co. they discontinued it. So I fail to see how you can honestly claim any rights to-day for any underhand work that your firm did in 1912.

Yours, very truly,

ARTHUR MEEKER.

Mr. HENNEY (continuing). Did you know about that letter at the time it was sent?

Mr. ARMOUR. I don't think I did.

Mr. HENNEY. He was authorized to send it?

Mr. ARMOUR. Oh, yes, it was sent, all right.

Mr. HENNEY. Yes; and would you not construe that letter that Wilson & Co. were butting in by buying hogs in Omaha; that they were not occupying that territory, as you folks were, and that therefore they were butting in on your territory?

Mr. ARMOUR. I would construe that letter as Mr. Wilson going out there and buying hogs. He had no packing house there at that time, and if there were more hogs than Swift & Co. and Armour & Co. could take care of, there would be no objection; but if we could take care of the hogs that were there, it would be quite natural that we would do what we could to ask him to leave Omaha alone, as we could take care of all the hogs that were there.

Mr. HENNEY. As the result of this correspondence, did he leave Omaha alone?

Mr. ARMOUR. I don't know.

Mr. MAYER. I don't think he did, Mr. Henney.

Mr. HENNEY. I don't know.

Mr. MAYER. The letter is there.

Mr. HENNEY. The letter does not show what happened afterwards. This is a letter of March 26, 1917, in reply to Mr. Meeker's letter:

MARCH 26, 1917.

MR. ARTHUR MEEKER,
Armour & Co., U. S. Yards, Chicago, Ill.

DEAR MR. MEEKER: Answering your note of March 24. You are misinformed on the matter referred to. Our people did maintain a salaried buyer in Omaha, as I have previously advised you. In fact, Mr. Harry Booth, who is now our head buyer in Chicago, was himself stationed there for periods of several weeks; and if, as you state, Mr. Red Murphy undertook to cover up the purchases that he made for this company and destination, he did it for reasons of his own, and I think you probably know that all of the hogs that he buys are first weighed to him, sorted, and reweighed. This is his practice to-day, and no doubt was in former years when this concern did business with him.

Yours, very truly,

Mr. HENNEY (continuing). Now, would not you construe that letter, Mr. Armour, as being in effect a claim on the part of Wilson that he was entitled, as a matter of right, to go into Omaha and buy hogs, because the Swartzchild & Sulzberger Co. had, bonafidely, been buying hogs on that market?

Mr. ARMOUR. Well, of course, I do not know how he would construe that letter—

Mr. HENNEY. That is the way you would construe it, is it not?

Mr. ARMOUR. Well, I don't know just what the circumstances were. There were other circumstances, perhaps, that called that letter out. That I don't know. I mean there are other things besides the letter.

Mr. HENNEY. Well, it is perfectly apparent from this letter that Wilson was making a claim that he did have the right, based on the former doings of Swartzchild & Sulzberger, to buy hogs in that market.

Mr. ARMOUR. Yes; he does make the claim.

Mr. HENNEY. In other words, is not this formal recognition by Mr. Wilson that the map, the division of territory, and the right to buy in it had been established at some prior date, and that he recognizes the map, but claims that there is a mistake of fact as to where the lines of the map are, and that he does have a right to go into Omaha and purchase hogs, based upon the fact that Schwarzchild & Sulzberger did really purchase there at the time the map was made?

Mr. ARMOUR. Well, there was no map made; and I do not know what his thoughts were. But he could not go in and buy hogs regularly at Omaha and buy them as cheap for himself, and ship them to any place as cheap as the plant there could; and that is the reason that these plants are located at stock yards—just the very reason that you had me admit yesterday that the nearer the center where the hogs and cattle are grown the better it is for the man to have a slaughter house. So anyone who buys hogs and ships them out could not do it 52 weeks in the year, because he would be at a natural disadvantage—

The CHAIRMAN. An economic disadvantage?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Would not that make Mr. Meeker's letter a rather vain thing—his letter protesting against the purchase of hogs?

Mr. ARMOUR. I don't know that I could answer that.

Mr. HENNEY. Now, let us see. Is there not a Cudahy, doing a packing business in Wisconsin?

Mr. ARMOUR. Yes; there is.

Mr. HENNEY. That is not the Cudahy that is the big firm?

Mr. ARMOUR. No; that is another one.

Mr. HENNEY. Well, does not that Cudahy go into St. Paul and buy hogs?

Mr. ARMOUR. On a very low market, when the market is glutted. He buys hogs when the market happens to be at the low point. He goes in because he does not get enough hogs from Wisconsin to take care of his demands.

Mr. HENNEY. And if he were to go into St. Paul and buy there continuously, now that you and Swift & Co. are in there, and there were not enough hogs coming in to satisfy the wants of you and Swift, would not you stick the price up on him a little bit and drive him out of buying on that market?

Mr. ARMOUR. Well, we would not stick the price up on him. The price would naturally go up.

Mr. HENNEY. But you would run it up so he could not afford to pay it and ship from there, would you not?

Mr. ARMOUR. What you say is correct; but I don't think I like the way you say it. The result would be the same.

Mr. HENNEY. Yes; that is what I mean.

Mr. ARMOUR. Yes.

Mr. MAYER. How would that be brought about? May I ask that question?

Mr. HENNEY. Yes; certainly.

Mr. ARMOUR. If there were not enough hogs there—we have two plants there, and it would be the same as would be the case with a man that has a plant anywhere else. We have to run those plants to a certain capacity. Our overhead is the same every day, and we naturally will not let anybody come in—that is, if we have to run our plant, say, 50 per cent of its capacity, to take care of our overhead, and somebody comes in, and makes us cut down to 30 per cent, if the hogs are there it is to our interest to increase up to as near as possible where the plant will pay, and in doing that the price naturally has to go up.

Senator NORRIS. If there is another buyer coming in in such case, the price would naturally be raised?

Mr. ARMOUR. Naturally.

Senator NORRIS. And that would be a good thing for the producer?

Mr. ARMOUR. Naturally.

Senator NORRIS. And would not the opposite be true; that if you kept Wilson, for instance, from coming in, would it not work the other way, and prices would be kept down?

Mr. ARMOUR. No; that would be only a temporary thing, because if the Omaha market was lower than the general market, we could not buy hogs there, because they would be shipped out.

Senator NORRIS. But Mr. Meeker, your vice president, was trying to keep Wilson out of Omaha.

Mr. ARMOUR. Naturally.

Senator NORRIS. You say where this other man went into St. Paul it would naturally raise the price?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. And he was only a temporary buyer?

Mr. ARMOUR. Yes; and the price at Omaha would have been raised if he had stayed there?

Senator NORRIS. And if he had not come in and had been kept out, the price would stay down, would it not?

Mr. ARMOUR. The price would not stay down. The price would be in accordance with the market price at all the different places.

Mr. HENY. Do you do any hog buying in the country; any country buying?

Mr. ARMOUR. Well, no; not to any extent. I would say, generally speaking, no. I do not say that we have not bought hogs in the country, but, generally speaking, no.

Mr. HENY. Do you know as to whether the other four big packers buy hogs in the country?

Mr. ARMOUR. I think Swift buys some hogs in the country, for his eastern business.

Mr. HENY. Squire & Co. is the name that he operates under, is it not, in buying hogs that go to New England?

Mr. ARMOUR. Yes; I understand so.

Mr. HENY. And that is an old firm, is it not?

Mr. ARMOUR. Yes.

Mr. HENY. And they buy clear up in Iowa and ship to New England?

Mr. ARMOUR. I understand so.

Mr. HENY. And Wilson & Co. buy in the country, do they not?

Mr. ARMOUR. They may buy in the country for some of their western houses. When I say "western houses" I do not mean the big stock yards. I mean to refer to two small houses that he has.

Mr. HENY. The St. Clair Co., at Cedar Rapids?

Mr. ARMOUR. Yes. He has two other small houses out west.

Mr. HENY. Yes; there is one little house in Minnesota?

Mr. ARMOUR. Yes, sir. What he does I do not know.

Mr. HENY. Do you know whether Cudahy has a concentration station—

Mr. ARMOUR. Do you mean the Cudahy Packing Co.?

Mr. HENY. Yes. Do they have a hog concentration station over in Minnesota?

Mr. ARMOUR. I do not think they have; but I don't know.

Mr. HENY. It may be the Wisconsin Cudahy, then?

Mr. ARMOUR. Yes, sir; I don't think they have, but I don't know that they have not.

Mr. HENY. Now, is not one of the reasons that the Big Five have a smaller percentage of the total hog business of the country than they have of the total cattle business, the fact that there are not so many by-products from hogs; and, secondly, that a much larger part of the hog is not what we call a perishable article of food?

Mr. ARMOUR. Yes, sir; it is.

Mr. HENEY. Now, by reason of those two facts, are not there certain hog-raising districts, like in Iowa and Minnesota, where packing plants like the Hormel plant, large enough to use all the economies that can be used in the packing business and turn out a good product, can maintain themselves upon the hogs raised in their immediate vicinity without shipping any long distances?

Mr. ARMOUR. I understand Hormel does very well.

Mr. HENEY. And that is so of Morell, is it, up in Ottumwa?

Mr. ARMOUR. I think so; yes, sir.

Mr. HENEY. Now, if the big packers have concentration stations established surrounding a plant, like the Morell plant, or a plant like Hormel's, and buy their hogs in that vicinity, to the extent that it forces Morell or Hormel to go a thousand miles away to buy their hogs in competition with them and ship them in, that is calculated to put the smaller fellow out of business, is it not?

Mr. ARMOUR. If that were done, it would tend to do that; but whether Armour buys hogs there, or whether the concentration camp, as we may call it—I presume that is a good name for it—is there or not, they can not afford to pay much more than the going price for hogs. There is a going price for hogs—I mean in the country—and they have to buy those hogs so much less than it would cost a shipper to ship them in. Of course they could pay more, but they can not continue that for any length of time, because it would make an abnormal price.

Mr. HENEY. But the point is that if Hormel, for instance, could get hogs in this vicinity, can pay the Chicago price for his hogs at his plant, which would save the producer the freight and commissions. Is not that right?

Mr. ARMOUR. Yes, sir; I believe so.

Mr. HENEY. And the producer would be that much ahead and Hormel would be in a position to give the consumer some advantage. Is not that true?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And the same would be true of Morell, and of any other plants located in that way?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Now, you say there was not a map made. Was there not a map made back in 1885?

Mr. ARMOUR. Do you refer to the Veeder pool?

Mr. HENEY. No. That is a little ahead of the Veeder pool—the Allerton pool.

Mr. ARMOUR. I started in 1882, and I was not in the business then, and don't know about it if there was one.

Mr. HENEY. Well, let us come to the Veeder pool, in 1896, the first Veeder pool. First, do you know anything about the Allerton pool?

Mr. ARMOUR. No, sir.

Mr. HENEY. The charter members of that were Swift & Co., Armour & Co., Nelson Morris & Co., and Hammond. Cudahy was then a partner of Armour, and so he would be in it as a partner of Armour & Co.

Mr. ARMOUR. No.

Mr. HENEY. Now, first, there was a Veeder pool, from 1893 to 1896. Do you know anything about that?

Mr. ARMOUR. I know about the Veeder pool. Were there two Veeder pools?

Mr. HENEY. There probably was only one, but there was an interregnum there.

Mr. ARMOUR. I know, in a general way; yes, sir, about that pool.

Mr. HENEY. And that ran down to 1902?

Mr. ARMOUR. I presume that is a matter of record.

Mr. HENEY. I am speaking of the testimony of Mr. Henry Veeder, as given in the Chicago trial?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Now, in that Veeder pool, was not this arrangement made. I will take it from the testimony of Mr. Veeder. Here is a summary here on page 14 of the Federal Trade Commission's Report, part 2.

Veeder testified that from 1892 to 1896, the representatives of Armour & Co., Swift & Co., and Morris & Co., met regularly every Tuesday afternoon at 2 o'clock; that the Cudahy Packing Co., and G. H. Hammond Co., also occasionally were represented at these meetings. During the earlier period the packing companies were designated by letters: Armour & Co., 'A'; Armour Packing Co., 'B'; Cudahy Packing Co., 'C'; G. H. Hammond Packing Co., 'D'; St. Louis Dressed Beef & Provision Co., 'E'; Morris & Co., 'F'; Swift & Co., 'G'. Beginning with 1898, when they began to meet again Schwarzhild & Sulzberger met with them and was designated as 'G', Swift & Co. then being known as 'H'.

Did you attend any of those meetings?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Personally?

Mr. ARMOUR. Yes; I don't know about that date, but I have attended meetings of the Veeder pool.

Mr. HENEY. Under this Veeder pool, was the United States divided into several territories, known as territory A, B, C, and so forth?

Mr. ARMOUR. I think so; yes, sir.

Mr. HENEY. Territory A was that part of the United States lying east of the Mississippi and north of the Ohio and Potomac Rivers, excepting the State of Illinois, and including the State of West Virginia?

Mr. ARMOUR. I think so.

Mr. HENEY. And these meetings were held on the sixth floor of the Counselman Building?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And those rooms were rented in the name of Mr. Veeder?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And the rent was paid in the proportion of these percentages which I produced here a while ago, was it not, where Mr. Veeder referred to the percentages as being "the old beef pool percentages"?

Mr. ARMOUR. Yes; I assume so.

Mr. HENEY. Now, at each of those meetings what would happen? How was that thing run?

Mr. ARMOUR. Why, the shipments were turned into the office and each man was allowed a percentage based on the business he did before they went into the pool—

Mr. MAYER. On the percentages they did before they formed the pool?

Mr. ARMOUR. Yes, sir; and if he shipped more than that percentage, he had to pay a penalty; if he shipped less than his percentage, he collected, and the other man had to pay.

Mr. HENY. The other man paid, and it went through Mr. Veeder, and it was paid to the man that was short?

Mr. ARMOUR. Yes.

Mr. HENY. Now, the purpose of that pool were what?

Mr. ARMOUR. Well, at that time, as I remember—I don't know just why the pool was formed, but, as I understand, the business was in a very bad condition and in a very precarious condition, the beef business was bad, and everybody was losing money, and it was made to stabilize the business and to make it easier to do the business, and naturally to bring a reasonable profit around to the business.

Mr. HENY. But under this agreement to regulate you attempted to regulate the amount that was shipped into each of the territories?

Mr. ARMOUR. Yes, sir.

Mr. HENY. And then, a little later, you perfected that, when you got Schwarzschild & Sulzberger in, and regulated the amount that was to go to each city in each territory, did you not?

Mr. ARMOUR. I think so.

Mr. HENY. Now, that was for the purposes of preventing any oversupply from getting into a city?

Mr. ARMOUR. Oversupply or undersupply?

Mr. HENY. Or undersupply?

Mr. ARMOUR. Yes.

Mr. HENY. Of course, that would prevent the ordinary law of supply and demand from operating, would it not?

Mr. ARMOUR. No; I think not. It might in a way, but I do not think it would, broadly speaking, because there was no greater or no less demand by reason of it. There was the same demand there, whether there was a pool, or whether there was not.

Mr. HENY. Surely.

Mr. ARMOUR. I mean that demand was there, regardless of Armour, or Swift, or anybody else. But it was very much better for us—I mean it was very much better for the trade, as well as for us, that there was not too much beef put on the market, or too little beef put on market, and that was the way they had of regulating the supply of beef, so as to make it adequate to the market.

Mr. HENY. If there is an oversupply of meat in a particular market; that is, a supply that is in excess of the demand, why, naturally, you have to drop the price to try to sell a little more of it, do you not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. And people do eat more meat when it is cheap than they do when it is dear, do they not?

Mr. ARMOUR. Generally speaking; yes, sir.

Mr. HENY. That has been demonstrated in the last year, has it not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Then, you do interfere with the law of supply and demand by that kind of an arrangement, do you not?

Mr. ARMOUR. Well, to that extent, possibly, if that is what you mean by the law of supply and demand, probably so, but it was to stabilize the business and, naturally, to help the packers.

Mr. HENNEY. Of course. It enabled you to keep your prices level at a place where you could make a profit?

Mr. ARMOUR. Naturally, but it was not from the packers' standpoint. If the market was very bad we naturally would ship less beef, and the man who overshipped would have to pay the other man. So we wanted to have the shipments of beef as near as possible what they should be, in order to take care of the supply, and everybody shipped the amount he was entitled to ship, according to the percentages that were based on his business before the pool was formed, and if that was done nobody would have to pay any money and nobody would have to collect any money.

Mr. HENNEY. And with peace terms of that sort you could run on—

Mr. ARMOUR. In other words, we knew what the other man was doing, while without that you would have to do a good deal of guessing about it.

Mr. HENNEY. Well, do you do any guessing now as to what the other man is doing?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Do not your men visit the cold-storage plants of each of the other big companies and inspect them every week, with their consent?

Mr. ARMOUR. Do you mean the branch houses?

Mr. HENNEY. I mean the branch houses.

Mr. ARMOUR. Yes, sir; every day.

Mr. HENNEY. And their men visit yours, do they not?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Visit what?

Mr. ARMOUR. They visit ours.

Mr. HENNEY. Yes; and you know now just as closely as you did at the time of the Veeder pool what beef they are shipping into any city.

Mr. ARMOUR. No, we do not; because then we would know before it was shipped.

Mr. HENNEY. Yes.

Mr. ARMOUR. We would know before it arrived at the market; now we do not know that; we only know when it arrives at the market.

Mr. HENNEY. But suppose you know that Swift, in New York, has just brought in a lot of beef of a kind that you also believe the demand will not take care of any additional supply.

Mr. ARMOUR. Yes.

Mr. HENNEY. And suppose you have some cars on the road from Chicago to New York, you just divert them to Boston, or Philadelphia, or some other place, where you think the demand does exist?

Mr. ARMOUR. No; we can not do that—

Mr. HENNEY (interposing). And where you not only know that, but know that Swift is not as well supplied as he ought to be—

Mr. ARMOUR (interposing). We can not do that—

Mr. HENEY. What were you going to say?

Mr. ARMOUR. I beg your pardon; I do not want to say anything until you finish.

Mr. HENEY. Well, you get the idea of that, do you not?

Mr. ARMOUR. I will answer it when you get through.

Mr. HENEY (continuing). Where you know that Swift has not any oversupply, you can divert it there; so that, instead of overloading the market in New York with that particular kind of beef, you can use it in such a way as to make a good profit on it, by diverting it to Boston, and pay the additional expense of carrying it there. Is that true?

Mr. ARMOUR. No; it is not true.

Mr. HENEY. Why not?

Mr. ARMOUR. Because, in the first place, you speak about New York and Boston. All the New York beef is ribbed differently from the Boston beef. That is, the Boston beef has a long hind quarter, and a very short forequarter; it is cut down, so that there is a very short forequarter; and in New York it is different. In other words, the beef is what we call ribbed differently—not for every market, but for a good many markets; so that it would be impossible to ship what was ordered for New York—to divert it to Boston.

Mr. HENEY. Does that difference exist between other cities, or is Boston unique in that respect?

Mr. ARMOUR. Not to the same extent; but if you will allow me, I will tell you what we would do.

Mr. HENEY. Yes.

Mr. ARMOUR. If we saw the market in New York was glutted, it is the business of our man there—I am talking about what we would do to-day—it is his business to wire back to Chicago to say that the market in New York was very bad. Now, what we would do in that case is that we would hold our beef for a day at the icing station. Instead of allowing it to go to New York and be put on the market, we would do what would be natural for anybody to do—hold the beef for a day or two and then, possibly, ship a little less of it from Chicago. And when the market came back to normal, we would ship that beef into New York, because, of course, you can not hold it for a very long time; you can hold it for a day or two.

As an illustration: Baltimore takes a different kind of beef from Philadelphia. Baltimore takes a lot of poor beef; Philadelphia takes some poor beef, but they also take a lot of good beef; and while you could divert one car from Baltimore to Philadelphia, that is not usually done. I do not say it could not be done; it could be done between those two markets.

Mr. HENEY. But you could handle the beef going into any market the same way as that going into New York, by holding it at the icing station and shipping less for the following days. Do you ship to New York every day?

Mr. ARMOUR. I would think so, yes, sir; we have a great many houses in New York, and I think every day some beef goes to New York.

Mr. HENEY. So that, by keeping in touch every day with the situation in New York, if there happens to be a little more than there seems to be a demand for of any particular kind of meat in the

branch houses of the other four big packers, you just ship a little less of that particular kind, and you ship the kind that they seem to be a little short of, if they are short of any kind. Is that it?

Mr. ARMOUR. Yes. I will say, Mr. Heney, for your information, that I do not suppose there is a day that goes by that our men, Swift's men, and the smaller packers who have houses in New York do not visit the other houses. That is part of their business, to know what their competitor has; that is the only way our man has of judging how much to ask for his beef and how much to get for his beef, whether he shall sell his beef promptly, at the first bid he can get, or whether he shall hold it, in the hope of getting more. He can only judge that by his observation of how much beef there is on the market. All of those beef houses are on one row.

Mr. HENNEY. Yes; they are all in the same vicinity, and they are all well connected with each other.

Mr. ARMOUR. Naturally.

Mr. HENNEY. And they are all on a very friendly basis, are they not?

Mr. ARMOUR. I think so.

Mr. HENNEY. And they naturally discuss the market among each other every day?

Mr. ARMOUR. Naturally.

Senator PAGE. Is there anything in the world on which competition is stronger than on hides, Mr. Heney?

Mr. ARMOUR. Are you asking me that question or are you asking Mr. Heney?

Senator NORRIS. You said Mr. Heney, Senator.

Senator PAGE. Well, my inquiry was addressed to Mr. Heney.

Mr. HENNEY. Are you inquiring of me?

Senator PAGE. Yes; you are speaking about competition and about their all being located along a certain street and engaged in a certain line of trade.

Mr. HENNEY. Competition in hides, if you are asking me the question, is a joke. There is no such thing in reality, to amount to anything, in this country.

Senator NORRIS. On that point I would like to ask Mr. Armour this question: Under the Veeder pool there really was not any competition, was there?

Mr. ARMOUR. There was a great deal of competition under the Veeder pool; yes, sir.

Senator NORRIS. Would not those meetings, where you all got together and where you penalized a man for shipping too much into a place—did they not do away with competition in effect?

Mr. ARMOUR. It did away with some competition naturally, but it did not wholly do away with competition.

Senator NORRIS. Did it not as between the fellows in the pool?

Mr. ARMOUR. Not wholly, because they were all anxious for business.

Senator NORRIS. I know; but if they did too much business anywhere they were penalized and had to pay money over to the fellow who did not get the business.

Mr. ARMOUR. Sometimes they were willing to do it. I do not mean to convey to you the idea that the pool was not a good thing for the packers, because I think it was.

Senator NORRIS. The point I wanted to get at was, what effect that pool had on competition.

Mr. ARMOUR. I think it had some effect, but I do not think it did away with competition by a good deal.

Mr. HENNEY. Mr. Armour, do you not think that any competitor was operating at a tremendous disadvantage who was not in on the pool?

Mr. ARMOUR. Well, he was operating at a disadvantage just to the extent that he did not know what the other people had on the market. But, you see, it was a good market made by the pool, assuming that there was a market made by the pool, as Senator Norris intimates, why, a man that was out of the pool and was aggressive and knew his business had the advantage over the man that was in the pool, because we were practically making a market for him, and he was getting the benefit of that market without paying anything into the pool.

Mr. HENNEY. Yes; but the pool was not costing anything to maintain it, was it?

Mr. ARMOUR. I think it did, at times, cost a good deal of money; but regardless of that, if the pool operated as we hoped it would operate, it would make a good market. It was not a hardship to anybody who was not in the pool.

Mr. HENNEY. There could not have been any overhead expenses in that pool, could there?

Mr. ARMOUR. I do not mean that; but if the pool made a good market, by a good market being made the outsider got the benefit of it.

The CHAIRMAN. You say the pool was no disadvantage to the man who was not in that pool?

Mr. ARMOUR. I do not believe it was.

The CHAIRMAN. Would he not be under the same disadvantage that any outsider would—the same disadvantage that you would be under if you were not permitted to inspect the supplies in the branch houses in New York. You say you have a reciprocal system of inspection there; if you were outside of that, you would not know whether to sell or to hold your beef.

Mr. ARMOUR. Yes, Mr. Chairman; but the same courtesy—it is not a question of an agreement permitting them to go through other people's houses there; anybody has that privilege.

Mr. MAYER. The small packers do it the same as the big ones. You understand that, do you not, Mr. Chairman?

The CHAIRMAN. I understand they do now.

Mr. ARMOUR. We always have. We have always inspected what each competitor has on hand.

The CHAIRMAN. But you said that was a material and important thing which otherwise they would not know.

Mr. ARMOUR. Well, the small packers can do it as well as the large ones.

Mr. MAYER. And he says that is not under any agreement, Mr. Chairman.

The CHAIRMAN. I understand; but if he were not permitted to do it, you would be under a disadvantage.

Mr. ARMOUR. Yes; but there never was a time when they were not permitted to do it. If I may answer this question further, I should like to do so.

The CHAIRMAN. Yes; certainly.

Mr. ARMOUR. We hire a man to run a branch house; and it is only natural for that man to get all the information he can, just as a man would get all the information he could about a law case.

The CHAIRMAN. That is his duty.

Mr. ARMOUR. That is his duty, and that is what he is paid for.

The CHAIRMAN. And that is to your advantage.

Mr. ARMOUR. Now, if a man is not bright enough to know how the market is, and how much beef there is in the city, naturally he is not a success, and his life with the packer is not very long.

The CHAIRMAN. What would have happened to the man on the outside when this Veeder pool was in existence—would he not make a failure?

Mr. ARMOUR. I do not think the pool would have anything more to do with his making a success of it than it would of making a failure of it.

The CHAIRMAN. Well, would he not be in ignorance of the very fact that you have just described as being essential to success?

Mr. ARMOUR. No; because he would have the same privilege; the only difference would be that he would not have, before the beef arrived at the market, the knowledge that we would have that the beef was on the way to the market; but he would have the same privilege—

The CHAIRMAN (interposing). Under the Veeder pool did you have the same privilege about inspecting supplies on hand?

Mr. ARMOUR. Yes. You see these branch houses are a good deal like a hotel; they are open to anybody.

The CHAIRMAN. Then the Veeder pool was of no advantage at all, was it?

Mr. ARMOUR. I do not say that.

The CHAIRMAN. What advantage was it, if the present custom of inspecting the supplies after they arrived was in effect?

Mr. ARMOUR. The Veeder pool regulated the supply of beef on the market.

The CHAIRMAN. Well, suppose a man was on the outside and did not know how much beef was on the market; would he not be under a disadvantage by reason of that fact?

Mr. ARMOUR. He would be at a disadvantage in that respect.

The CHAIRMAN. That was the point I was getting at.

Mr. ARMOUR. But the purpose of any pool is to make a market good. There would be no object in having a pool if you did not make the market good. Now, if the pool did make the market good, I claim that the outsider would get the benefit of the good that the pool did to the market. Is that clear?

Mr. HENY. Yes.

The CHAIRMAN. Yes; but this pool, if it were disposed to do so, could send in an extraordinary supply of beef and let the outsider hit a low market when he sent in his beef.

Mr. ARMOUR. Oh, yes; they could do that. Of course, there is almost anything that a man can do, if he is a mean man and wants to do a mean thing. But a man in a big business does not do those things.

Mr. HENY. Now, let us see—

Mr. ARMOUR (interposing). I mean, we are so busy trying to make money for ourselves, and trying to run our own business well, that we have not much time to try to put somebody else out of business.

Mr. HENY. Now, suppose you people who were in that pool—Sulzberger was not in it from 1893 to 1896, was he?

Mr. ARMOUR. No.

Mr. HENY. And suppose Sulzberger, when you people had that pool—

Mr. ARMOUR (interposing). I think, as a matter of fact, that Sulzberger grew a lot while he was not in it; and I think we wanted him to go into it to prevent his growth.

Mr. HENY. I think that is true—and you did prevent his growth by letting him into it.

Mr. ARMOUR. I say that, so long as he was out of the pool, he had an advantage over us.

Mr. HENY. But suppose he had been a little smaller than he was, you could have killed him off, could you not?

Mr. ARMOUR. Of course. Mr. Heney, a big man, I suppose, if he has got money enough, can kill off a small man; if he has money enough to do it—if that is what you mean.

Mr. HENY. Certainly, I do.

Mr. ARMOUR. That is a power that a man would have, not only in the packing business, but in everyday life.

Mr. HENY. Yes. Now, Sulzberger did forge ahead and increase his business while you folks were in the pool?

Mr. ARMOUR. Yes. We made the business so good for him that he went ahead.

Mr. HENY. He flooded the market on you at the prices you made, and you were not able to dispose of the meat at the good prices you made; so that you even broke your pool up. So that you did not meet during part of 1896 and 1897; and then you persuaded Sulzberger to come in with you, and you started the new pool in January, 1898, and got him in it.

Mr. ARMOUR. I assume that is true. I do not remember the facts, but I assume you are correct.

Mr. HENY. That is the very point I wanted to bring out. While you are not in a pool to-day, suppose that Swift, instead of sticking to the relative proportion of the New York business that he has been enjoying all these years, since the Veeder pool—

Mr. ARMOUR. Yes.

Mr. HENY (continuing). Should make up his mind that he was going to take the whole of the New York business. What would Armour do?

Mr. ARMOUR. I think Armour would try to hold his business; and the business would naturally get so bad in New York, and Mr. Swift would lose so much money, and we would be losing so much money, too, that the natural inclinations of a man would step in; he will go only so far; some men will lose a little more money than others, but there is always a place along the road where a man stops. Now, I do not know what Swift would do; but that is human nature.

Senator PAGE. Where he would get off. [Laughter.]

Mr. ARMOUR. That is human nature; and if he did not stop, and Armour went along, Armour would do either one of two things—he

would either let him go along and lose all the money he could lose, and we would see just how little we could lose; and when he had lost all he wanted to, we would probably resume our shipments—or we would both be broke; one of the two. And we would get back to our natural condition if we could.

Mr. HENNEY. Is it not a fact that the five big packers are operating on exactly that principle now; that none of them aggressively interferes with any of the other four as long as the other four are willing to let the map as it existed in the time of the Veeder pool remain, and as long as he does not attempt to grab off any larger percentage of the total business than he had before, unless he acquires some outside plant—takes in that additional party.

Mr. ARMOUR. That is not wholly true.

Mr. HENNEY. Well, is that not nearly so?

Mr. ARMOUR. In part that is true, to this extent, that all the packers have a certain amount of business that they have drifted into—shall I use that expression “drifted into”? The pool may have had something to do with it; probably it did, but we drifted into it.

Now, I do not know how much business Mr. Swift wants to do, but I know that Armour & Co., as long as we can, are going to do about the same amount of business that we have done in the past. Now, if anybody wants to do more, they have got to gain that business by making the markets very, very bad; and that, I claim—I do not know what day Mr. Swift may want to do that, and Mr. Swift does not know what day I might get crazy and want to do it. But if that day comes, that day is going to reflect itself back to the price of cattle, because as long as the business is done on a reasonable margin Swift makes a little money and Armour makes a little money and the rest of the people make a little money. We are going to try to buy our cattle according to where we can buy our cattle.

Now, if the prices are put away down by reason of a great deal more of beef being put on the market, why, then, our cattle buyers and everybody's cattle buyers have got to buy their cattle, if they can, somewhere on the line on which they sell their beef. Do I make myself clear?

Mr. HENNEY. I think so.

The CHAIRMAN. If you could work out any scheme or ratio that guides you in the price of beef, I wish you would put it in the record. I think we made a similar request the other day.

Mr. ARMOUR. I would be very glad to do so, Mr. Chairman, but the price of beef is a good deal older than we think; it is based on the law of supply and demand, and that can not be changed, broadly speaking. It can be changed for one day or it can be changed for one week by something that Armour did or something that Swift did, but fundamentally you can not change it.

The CHAIRMAN. The more fundamental it is and the more fundamental the ratio is, the easier it should be to figure it out.

Mr. MAYER. May I interrupt for a moment, Mr. Henney?

Mr. HENNEY. Certainly.

Mr. MAYER. Mr. Armour, it was suggested before the House committee that perhaps the regulation, if the law permitted it, or stabilizing or averaging the shipments from producers and growers so that they would not be received on the markets on any one day more than the current demand called for might have, and probably would have,

a very advantageous effect; and some of the members of the House committee, at least, negatively, seemed to think it a good suggestion.

The CHAIRMAN. It would have some advantages and some disadvantages. I do not know how it would work out in the long run, whether it would do good or not.

Senator NORRIS. I would like to ask you a broad question on an economic line, Mr. Armour.

Assuming that this Veeder pool would be allowed under the law, or that the understanding that it brought about was in effect now in another way, do you think, as an economic proposition, with individuals or corporations having control of such a pool or such an understanding, would bring about such a result as would be satisfactory to the producer and to the consumer? Would not the natural tendency be that such an agreement or understanding, or whatever you may call it, would be made entirely with a view of increasing the profits of the men who were in it at the expense of the consumer?

Mr. ARMOUR. I do not, if a pool like that could be made so that it would be open to the inspection of the live-cattle man.

Senator NORRIS. Well, if such a pool should be allowed, should it not be under the control of the proper governmental officials?

Mr. ARMOUR. Yes, sir.

Mr. NORRIS. The tendency of individuals would be to make money, would it not?

Mr. ARMOUR. The tendency of the natural individual is to be selfish; and I claim that if there could be some arrangement that would take the live-cattle man into our confidence, so that he would know what prices we got for our beef, it would be a great advantage. The live-cattle man, as I understand, does not object to the packer making a fair profit.

Senator NORRIS. Oh, no; I do not think anybody does.

Mr. ARMOUR. But what I started to say—I guess I will not get away from that, will I?

Mr. HENRY. I am afraid not.

Mr. ARMOUR. What I started to say, Senator, was at the present time there is a zone fixed on the shipment of live hogs, and the shipment of hogs to the market is regulated by Mr. Everett Brown, who is a commission man. Now, he has the power that is given to him by the Food Administration to prevent, as far as possible, any glut on the market, in one day or two days, of live hogs. That is what I meant when I said if there could be some arrangement brought about so that there would not be a glut of cattle on the market on any one day, or a glut of hogs on the market on any other day, it would be a good thing. As a matter of fact, the only interest the packer has on the price of live stock is this: He does not want the price of live stock to go so low that it stops production, nor does he want the price of live stock to go so high that it stops consumption.

Now, we are the middle man right there. And we are going to stay there; we are there; and we are probably going to stay there. We are the medium between the man who grows the cattle and the man who consumes the beef. So that our interest is one of trying to satisfy both parties, which is a difficult thing.

So that it really makes no difference to us whether we pay—the only interest we have is to pay a reasonable price that will satisfy the consumer and make money for the producer.

So that if there was anything that could be done so that the packer and the producer could come closer together, I am sure Armour & Co.—and I imagine the other packers as well—would welcome it very much.

I do not know whether I have answered your questions or not.

Senator PAGE. Your answer is substantially this: That you want prosperity to come to the cattle business.

Mr. ARMOUR. Most decidedly.

Senator PAGE. And your prosperity and the prosperity of the—

Mr. ARMOUR (interposing). Country.

Senator PAGE. Country are—

Mr. ARMOUR (interposing). The same.

Mr. HENNEY. In other words, the full dinner pail argument.

Mr. ARMOUR. Yes.

Mr. HENNEY. Is it not a fact that the production of cattle fell off comparatively, in this country for quite a number of years?

Mr. ARMOUR. Yes; I think the records will show that.

Mr. HENNEY. What do you think caused that?

Mr. ARMOUR. I do not know.

Mr. HENNEY. Was it not due to losses by the cattle growers?

Mr. ARMOUR. I presume that was so; I presume the cattle growers did lose money.

Mr. HENNEY. Well, was there not demand enough for the cattle so that there could have been a fair price to the cattle grower during that period?

Mr. ARMOUR. I do not think the packers' profits—you are speaking now of the pool, of the time of the pool, are you?

Mr. HENNEY. Yes.

Mr. ARMOUR. I do not think the packers' profits during that time were excessive at all. I do not know to what to attribute that; but I do not think the packers' profits were at all excessive.

Mr. HENNEY. Well, the producer did not get any profits during that pool, did he?

Mr. ARMOUR. I do not know.

Mr. HENNEY. That is, the great mass of them?

Mr. ARMOUR. I do not know. I do not think that is so. It may be that in some years of the pool the producer did not get anything; but I do not believe that is so as a whole.

Mr. HENNEY. In 1915, is it not your recollection that the growers lost money?

Mr. ARMOUR. 1915?

Mr. HENNEY. Yes.

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And the packers made money in 1915?

Mr. ARMOUR. Yes.

Mr. HENNEY. How do you account for that? What is your theory about it?

Mr. ARMOUR. Well, it is the same thing that happens every year. You take a certain year—any year you may select—in which the sheepmen make a lot of money, or the cattlemen make a lot of money on the cattle they bring in; it does not make much difference what the

price is. If a cattle feeder or a sheep feeder makes money, the result is that, unless something happens that nobody knows anything about—when they sell their sheep or sell their cattle for a great, big profit, they come in here and buy their cattle and buy their sheep—now, I am not casting any reflection on anybody; I would do the same thing; it is a natural thing that a man has in his nature; he comes in here and says, "I made a lot of money last year," and he comes in here and buys his feeders; he just buys them; he just buys his sheep. Now, he has got a loss before he has got those sheep and cattle sent back to the country. Now, you do not have to take my word for that, because that is generally known in the live-stock market.

Mr. HENEY. That would be the human nature of it.

Mr. ARMOUR. Yes.

Mr. HENEY. But, as a matter of fact, did the cattle feeder make any money in 1914?

Mr. ARMOUR. I do not know; that is one year. But a man comes in here, and if you buy your cattle on the market the year after you have made a big profit, you have got our loss to start with.

Mr. HENEY. That is true; but that is a general proposition; I am asking about the year 1914. Is it not a fact that the feeder made no money in 1914, and that he lost money in 1915, while the packers made an extraordinarily large amount of money, as compared with previous years?

Mr. ARMOUR. I do not know that they made an extraordinary amount of money. But a man feeding cattle might make money and the packers lose money, or the man feeding cattle might lose money and the packers make money, and still neither party be to blame.

Mr. HENEY. When the Veeder pool fought Sulzberger it was unsuccessful, because it did not control a large enough proportion of the beef business to prevent Sulzberger operating so as to force the pool to lose money. Is that not correct—or, at least, so as to force the pool to lose that which it expected to get in New York?

Mr. ARMOUR. I think it depended a good deal on the individual. The Sulzberger people were very aggressive, and they went around and started markets, and the business was pretty good. Instead of being quite well satisfied with what they had, it is the old, old story back to a man's temperament. Now, some men are quite well satisfied to go along and be comfortable and have a certain amount of business; not want any more. Other men are not. And I presume that is what happened with Mr. Sulzberger; he wanted more, and the markets remained good for him, and he enlarged very much.

Mr. HENEY. And as a result of that, the pool quit operating for nearly a year, did it not?

Mr. ARMOUR. I would think so.

Mr. HENEY. And then Sulzberger came into the pool, did he not?

Mr. ARMOUR. After he got where he wanted to get.

Mr. HENEY. After he got where he wanted to get. Now, having got there, the five started a new pool; that pool began in 1889 and ran until 1902, did it not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. That pool was successful, was it not?

Mr. ARMOUR. I do not remember, but it must have been.

Mr. HENEY. There was not any outsider who was big enough and aggressive enough to interfere with it?

Mr. ARMOUR. I imagine that must have been successful or it would not have been continued. I guess that is the answer to that.

Mr. HENEY. Now, the real reason for stopping the pool in 1902 was that the Federal Government became so active in investigating the pool, is that not true?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And it brought an injunction suit to enjoin the operation of the pool, and the pool ceased operating just one month before the injunction suit was filed. Do you remember that—in April?

Mr. ARMOUR. I do not know the date, but if you say so, I suppose it is true.

Mr. HENEY. The testimony is that they stopped April 13, 1902, and that the injunction suit was commenced in May.

Mr. ARMOUR. Well, if you say so, I will agree with you.

Mr. HENEY. Now, before the injunction suit was finally decided—

Mr. ARMOUR (intetrposing). I beg your pardon, but is it possible for me to get away to-night, because I want to give up my transportation if it is not.

Mr. HENEY. It will not be possible.

Immediately after the pool was stopped in April, is it not a fact that you and Swift and Morris concluded that you would attempt to merge all of the packing plants in the country of any considerable size?

Mr. ARMOUR. Do you mean before the pool or after the pool?

Mr. HENEY. Immediately after the pool ended, in April, 1902.

Mr. ARMOUR. Well, we did—I assume that is the right year.

Mr. HENEY. And you negotiated with James Stillman and Kuhn. Loeb & Co., and E. H. Harriman.

Mr. ARMOUR. Yes, sir.

Mr. HENEY (continuing). For a loan of a large sum of money—\$90,000,000 was first considered, and then \$60,000,000—for the purpose of making this merger. Is that correct?

Mr. ARMOUR. Yes.

Senator NORRIS. Well, I did not get that. Did Mr. Armour say that was correct? I did not hear him answer.

Mr. ARMOUR. Well, I said "Yes. I assume his figures are right, but the principle is right."

Mr. HENEY. If the figures are correct, the statement is correct?

Mr. ARMOUR. Yes; I assume you have the right figures, but you are right in principle.

Mr. HENEY. Yes. I have just looked at the figures as they are given in the record. Now, what was your idea in regard to that merger? You were going to get practically the entire packing business of the country into one corporation, were you not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And was it your theory that it was a good thing for the country—for the consumers as well as the packers—that the packing business should be monopolized into one corporation—which would make a monopoly, would it not?

Mr. ARMOUR. Yes.

Mr. HENEY. Was that your idea?

Mr. ARMOUR. Yes; I think so.

Mr. HENEY. Is that your belief—that that would be an ideal condition?

Mr. ARMOUR. Why, yes; we thought that by doing that we could save many, many millions of dollars lost in the duplication of the business—even the duplication as the business is being done to-day.

And I will go further and say if that was possible to do and the live-stock men were taken in in some way, and it was done under the supervision of the Government in some way, so that the packers would be allowed a fair margin, I think the live-stock man would get considerably more for his live stock, and the consumer would buy his beef at very much less. I think the saving that could be carried out would be enormous.

Mr. HENEY. In other words, there is a duplication——

Mr. ARMOUR (interposing). And that was what our idea was then, Mr. Heney.

Mr. HENEY. In other words, there is a duplication and a triplication and a quadruplication of cold-storage plants in different cities, owing to the fact that five big packers are attempting to do the same thing. Is that correct?

Mr. ARMOUR. The packing industry is theoretically, and perhaps practically, very much in the position of the railroads—not so much to-day, because there has been so much outside business that it has taken up the slack the packers had been doing business. Do I make myself clear to you?

Mr. HENEY. Not quite.

Mr. ARMOUR. But when the railroads were put under the United States Railroad Administration they took trains off. Instead of running four or five trains from Chicago to Kansas City half full or one-third full—I have traveled on trains from Chicago to Kansas City that had only two or three passengers—still the whole thing had to go, and somebody had to pay for it—the public.

Our thought was, then, that by amalgamating the packing industry there would be enormous saving in the avoiding of duplication of delivery, salesmen, etc.—the packers have salesmen galore. I suppose every man who has a shop has 8 or 10 salesmen call on him every day. That could all be done away with, to a great extent. Now, whether it would be practical, I do not know; theoretically it could, and there would be an enormous saving there. That was our idea.

Mr. HENEY. That is your idea now, is it? Do you think practically it could be done, Mr. Armour? That if the five big concerns were to consolidate now they would save any overhead expenses and operating expenses and do the service fully as well as the five doing it separately?

Mr. ARMOUR. I think there would be an enormous saving; yes, an enormous saving.

Mr. HENEY. And the service done as well, do you think?

Mr. ARMOUR. Oh, yes; there is no question about that—at least in my mind, in my opinion.

Mr. HENEY. Yes; it is your opinion I am asking for. You know, do you not, that at the time Sulzberger & Sons were turned into Wilson & Co., or about that time, just preceding it, there was a time to

consolidate Morris & Co. with Sulzberger & Sons, make one concern out of it, of which Wilson was to take the head?

Mr. ARMOUR. I have heard there was some talk of it; yes.

Mr. HENNEY. Do you think that would have been good economy—a good proposition for the industry?

Mr. ARMOUR. I do; yes. Of course, I am a great believer in large units, properly run.

Mr. HENNEY. Do you not think the tendency at the present time of the packing industry is inevitably toward their being just three concerns—Swift, Armour—I will put it the other way—Armour, Swift—

Mr. ARMOUR (interposing). Any way will suit me. [Laughter.] Why, I do not know. I have heard that said, Mr. Henney. I do not know, but I think any large concern, properly run—I do not think the size of any concern has anything to do with its usefulness or its unusefulness, as far as the public goes. I mean the mere size.

Mr. HENNEY. Yes.

Mr. ARMOUR. I think it is the individual, or the people who run it, that has more to do with whether it is a good thing for the public than anything else. Do you follow me on that?

Mr. HENNEY. I do, and I quite agree with you. We are in entire accord on that.

Mr. ARMOUR. I am glad we agree on something, Mr. Henney. [Laughter.]

Mr. HENNEY. So am I. I agree with you on the theory that the most efficient form of government is autocracy, provided you can find a man wise enough and good enough to be an autocrat.

The CHAIRMAN. That was Plato's theory.

Mr. HENNEY. Yes; and the same thing that would be true politically would be true industrially. But there is the great, big point.

Mr. ARMOUR. Well, I do not think any large concern ought to be—I think it would be better for the country to have a large concern, with some sort of supervision, because the same power the ordinary man gets—there are very few people who know enough when they have great power to know how to use it.

The CHAIRMAN. The natural tendency of human nature would be to exercise the power and try to get more.

Mr. ARMOUR. I think so; but occasionally you will find a man that has got sense enough not to get drunk with his power, but you can not—

The CHAIRMAN (interposing). Most of them have to take the Keeley cure in the long run.

Mr. ARMOUR. Yes. But to get back to the subject; we seem to be drifting away from what we were talking about.

Mr. HENNEY. Not so far away.

Mr. ARMOUR. But I think, really, Mr. Henney, that if there could be some way found to stop this eternal jealousy between the producer and the packers it would not only be a wonderfully fine thing for one party, but it would be a wonderfully fine thing for both parties.

Senator PAGE. Do you believe it is a possibility, Mr. Armour?

Mr. ARMOUR. It is not a very easy possibility; I do not say it is not a possibility, but it is not a very easy one.

Mr. HENNEY. Mr. Armour, of course you recognize the fact that the entire country entertains the belief that you possess a great deal of

power in the industrial and financial world, owing to the size of your business and the ramifications of it. You do own what per cent of Armour & Co.—you, individually?

Mr. ARMOUR. More than a majority.

Mr. HENEY. Seventy per cent of it?

Mr. ARMOUR. Do you want the actual amount? Seventy per cent of it; yes, sir.

Mr. HENEY. And the other members of your family naturally defer to you; really, they are willing to let you run it practically as you please?

Mr. ARMOUR. They have always been willing to let me work as hard as I want to—if that is what you mean. Yes; they have.

Mr. HENEY. They do not attempt to interfere?

Mr. ARMOUR. No, sir.

Mr. HENEY. And that is true to such an extent that if you want to make an investment you do not put it up to the board of directors, do you, as to whether Armour & Co. will make the investment?

Mr. ARMOUR. Why, not necessarily; no, sir.

Mr. HENEY. And sometimes you make an investment and carry it along as your own individual investment, and then conclude that you want to put it into Armour & Co.?

Mr. ARMOUR. Yes, sir; that is what has been done in the past.

Mr. HENEY. Now, these debentures that are out—or this preferred stock that is out—has that any voting power?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Has it an equal voting power, share for share, with the common stock?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. But there is no likelihood of there being enough of it out for some considerable period of time to constitute a majority of the stock of Armour & Co., is there?

The CHAIRMAN. Bonds do not equal the common stock altogether?

Mr. ARMOUR. Yes; the voting power of the bonds would be less than the common stock.

Mr. HENEY. Anyhow?

Mr. ARMOUR. Yes, sir; the way it is.

Mr. HENEY. Are you a stockholder in any of the railroads, Mr. Armour?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. What railroads?

Mr. ARMOUR. I am a stockholder in the St. Paul road.

Mr. HENEY. Do you mean the Chicago, Milwaukee & St. Paul Railroad?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Well, the Armour family were the largest holders in the Chicago, Milwaukee & St. Paul, were they not?

Mr. ARMOUR. I do not think so.

Mr. HENEY. Were you one of the original organizers of the company?

Mr. ARMOUR. No.

Mr. HENEY. You were a very large stockholder in it, however, were you not?

Mr. ARMOUR. A large stockholder, yes, sir; but not the largest by a great deal; not the largest stockholder, if that is what you mean.

- Mr. HENEX. Who is the largest stockholder?
- Mr. ARMOUR. I do not know now. Of course, the Rockefellers dominate the road.
- Mr. HENEX. Are you a director?
- Mr. ARMOUR. Yes, sir.
- Mr. HENEX. And have been since what time?
- Mr. ARMOUR. Two or three years after my father died they elected me a director.
- Mr. HENEX. Have you been a director in the Illinois Central?
- Mr. ARMOUR. Yes, sir; and I am now.
- Mr. HENEX. Are you a stockholder in that?
- Mr. ARMOUR. Not a large one.
- Mr. HENEX. A substantial one?
- Mr. ARMOUR. No; very small.
- Mr. HENEX. And have you been chairman of the board of directors of the Illinois Central?
- Mr. ARMOUR. No, sir; never.
- Mr. HENEX. Have you ever occupied any executive position in it?
- Mr. ARMOUR. No, sir; only a director.
- Mr. HENEX. How long have you been a director in that road?
- Mr. ARMOUR. I do not know; I suppose 10 years, perhaps more; 10 years, I would say.
- Mr. HENEX. Have you stock in any of the other roads that run into Chicago?
- Mr. ARMOUR. A very small amount. I am not a director in any of the other roads, and if I have any stock it is very, very small.
- Mr. HENEX. Are you a stockholder in any of the roads that run east of Chicago?
- Mr. ARMOUR. Well, I think the only roads that I am a stockholder in—if you want to know this?
- Mr. HENEX. Yes.
- Mr. ARMOUR. I am a very, very small stockholder in the B. & O. and the Rock Island, and possibly one or two others; but the stock would be so small—it would be very, very small.
- Senator NORRIS. \$200 or \$300?
- Mr. ARMOUR. Do you mean 200 or 300 shares?
- Senator NORRIS. Yes.
- Mr. ARMOUR. More than that, but not a great deal more. Well, in the Rock Island, it will probably be a little more; but in the other roads, I would think it would be less than 1,000 shares.
- Senator NORRIS. Less than 1,000 in each one, or altogether?
- Mr. ARMOUR. Well, he was speaking about roads other than the St. Paul.
- Senator NORRIS. A thousand shares altogether?
- Mr. ARMOUR. No; I say less than 1,000 shares in any one road.
- Mr. HENEX. That is what I wanted to get.
- Mr. ARMOUR. I do not know what you are going to ask; but my stock holdings in the roads are very, very light, if that is what you want. I mean, if you are trying to gather anything from me—
- Mr. HENEX (interposing). Well, I just want the whole picture before the committee, because the railroads are connected quite closely with the packing business, and the packing business furnishes a very large amount of freight to them.

Mr. ARMOUR. I would be very glad, if it would be of any interest—I will furnish to the committee, if you want it, I have no objection, the actual amount of stock I have in any one of those roads. There is no desire on my part to hold it back.

Mr. HENRY. Does the committee want that information? So far as my object is concerned, he has answered closely enough.

The CHAIRMAN. If the members of the committee desire it, we can ask for it.

Senator NORRIS. I think he has gone into it enough; but it is interesting, to my mind, in connection with the refrigerator cars business.

The CHAIRMAN. That is what I was thinking about.

Mr. HENRY. That is what was in my mind.

Senator NORRIS. Mr. Armour's statement refers to the fact that the refrigerator cars that they owned made a better mileage than the refrigerator cars owned by the railroad companies.

Mr. ARMOUR. That applies to all packers' cars. But I can assure you that what little stock I own in the railroads has no bearing on that.

Senator NORRIS. Could you give us an idea as to the amount altogether, in all the railroads, the entire aggregate?

Mr. ARMOUR. Well, I am a very substantial stockholder in the St. Paul Road, I am sorry to say. But outside of that, my railroad holdings would be very, very light.

Senator KENYON. Is your Rock Island stock for sale?

Mr. ARMOUR. Why, not now, because I was unfortunate enough to buy the Rock Island stock in the reorganization, and I have a very substantial loss in it. I hope some day, if I hold it long enough, that it will come back.

Senator KENYON. What is it worth to-day?

Mr. ARMOUR. The common stock is somewhere around 25, I presume; that is what it has been.

Senator KENYON. What is the preferred stock?

Mr. ARMOUR. We have two kinds of preferred stock—the first and second preferred. I do not know what it is worth. If anybody has a newspaper they can look it up. I think it is 70.

Senator NORRIS. Your holdings of railroad stock in all the railroads would amount to several millions of dollars, would it?

The CHAIRMAN. Mr. Armour, suppose you just submit in your statement a schedule of your holdings in the railroads.

Mr. ARMOUR. I have no objection to that, if it will be any help to the committee.

Mr. MAYER. I do not think, gentleman, that Mr. Armour has any objection, and I have none, to acceding to the wishes of the members of the committee. If it is in any way helpful to the result you are trying to attain, why, go ahead. If these things serve any useful purpose we are anxious to give whatever you want. But you gentlemen can realize how when a gentleman in Mr. Armour's position in this country makes public things of that kind he invites more or less comment and it may not help out in any way in what you are after. But if you press it, gentlemen, I do not make any objection, except to appeal to you from that standpoint.

Mr. ARMOUR. I am perfectly willing to give it to either the chairman or to Mr. Henry personally.

Mr. HENRY. It would be better to give it to the chairman.

The CHAIRMAN. I think that perhaps what has been brought out will be sufficient. If at any time the committee may direct me to obtain the information I will request it.

Senator GRONNA. I want to bring out another matter. Are you interested in the grain business, Mr. Armour?

Mr. ARMOUR. Yes, sir.

Senator GRONNA. How heavily are you now or have you been interested in that business? You have very often been quite a factor in the grain business, have you not?

Mr. ARMOUR. Well, there is an Armour Grain Co., in Chicago, that our family is interested in, that we inherited from my father, and that grain business is run by a man named Marcy, who is the president of the company.

Senator GRONNA. And it belongs to the same family—the Armour family?

Mr. ARMOUR. Yes, sir; Mr. Marcy has an interest in the grain business and he runs it.

Senator GRONNA. Is it controlled by the Armour family?

Mr. ARMOUR. The stock is controlled by the Armour family, but they have very little to do with the management. That is left wholly to Mr. Marcy.

Senator GRONNA. Where is your principal office of business?

Mr. ARMOUR. In Chicago.

Senator GRONNA. Does that extend to the western country?

Mr. ARMOUR. Yes, sir. You mean—

Senator GRONNA. The grain business.

Mr. ARMOUR. Yes, sir.

Senator GRONNA. How far West does it extend?

Mr. ARMOUR. Kansas City is as far as it extends in the southwest.

Senator GRONNA. The Minneapolis and Omaha markets?

Mr. ARMOUR. I think there is a small house in Minneapolis.

Senator GRONNA. Is that same concern interested in the large mills of the West?

Mr. ARMOUR. No, sir; they have no interest in any mills.

Senator GRONNA. Are you an extensive operator in Western mines? Have you any large holdings in the mines?

Mr. ARMOUR. No, sir. May I ask what you mean by "extensive"? No, sir; we are not.

Senator GRONNA. You are not the owner of a great deal of mining stock? I do not care if it is only on a small scale.

Mr. ARMOUR. No, sir; the only interest we have in a mine is a very small interest in a potash mine, and we developed that, because when the war came along potash, as you may know comes from Germany, and a man came to us who had discovered that there was a lot of potash in Utah, near Salt Lake City, and, I think, I personally put up \$10,000, or something like that, and was a very small owner in the potash mine to be developed for the use of our business.

Senator GRONNA. Is that business a success?

Mr. ARMOUR. Well, we get a lot of potash; yes, sir.

Senator GRONNA. What is the name of that mine, may I ask you?

Mr. ARMOUR. The Mineral Products Co. I am a very, very small stockholder, and became a stockholder, because I thought it would

develop potash that we were unable to get—and it is very necessary for the soil, as you know—for fertilizer business.

Senator GRONNA. You are not, then, the owner of any gold or silver mines?

Mr. ARMOUR. No, sir; I am not.

Senator GRONNA. Or any other minerals?

Mr. ARMOUR. No, sir; not at all.

Mr. HENRY. Mr. Armour, you referred to the Chicago, Milwaukee & St. Paul as a Rockefeller road. The Rockefellers own the controlling interest, do they?

Mr. ARMOUR. I do not know. They run it.

Mr. HENRY. I understood you to say that a while ago.

Mr. ARMOUR. I do not know it, but it is always conceded they do.

Mr. HENRY. Are you a stockholder in the National City Bank of New York?

Mr. ARMOUR. Yes.

Mr. HENRY. A substantial stockholder?

Mr. ARMOUR. No.

Mr. HENRY. By "substantial" do you use that term from your viewpoint or from my viewpoint? [Laughter.]

Mr. ARMOUR. Mr. Henry, I am perfectly willing, and I want to answer every question that you ask me, and I have not tried to keep anything back at all. I have tried to be a very willing witness, and I want to continue to be.

Mr. HENRY. I do not want to go into details either.

Mr. ARMOUR. And if there are any of these things that are vital or that will help the situation, I am perfectly willing to answer; in fact, I think it will be to my interest to answer them. But I do not just want to go into any old thing that is around the country that I happen to have a little interest in.

Mr. HENRY. And I do not want to go into details any further than necessary, but I will be perfectly frank with you in what I am aiming at. The Chase National Bank and Salomon & Sons bought 20 per cent of the stock of Wilson & Co.?

Mr. ARMOUR. Yes. I understand what you are after.

Mr. HENRY. And the Chase National is a subsidiary of the National City?

Mr. ARMOUR. I own no bank stock in New York except a little stock in the National City.

Mr. HENRY. You are a director in that bank?

Mr. ARMOUR. Yes.

Mr. HENRY. Have you found it advantageous in the packing business to become a stockholder, and, where substantial enough, a director in banking institutions, as making it easier to make loans for Armour & Co.?

Mr. ARMOUR. No; I do not think that has made any difference.

Mr. HENRY. It does not hurt any, does it?

Mr. ARMOUR. Why, it does not help any. It has always been our policy, and I inherited it, that we have never used any bank that I happened to be a director in. If they wanted to loan me money, they could; if they did not want to, they need not. In fact, I have always been pretty careful when I could borrow money from any other bank than the one I am a director in—I do not mean that I would not borrow money from them, but I have always been very careful not to

do anything that could be criticized by any other stockholder or any other director.

Mr. HENEY. Yes; I did not have any such thing in mind either. Mr. Armour. I had in mind Mr. Pierpont Morgan's alleged statement, I think it was before some committee of Congress, that they loan money to a man—the banks do—on his moral responsibility.

Mr. ARMOUR. They loan to the individual more than anything else; that is all. It is the individual that can borrow the money.

Mr. HENEY. Yes; and if the banker knows the individual, and knows him intimately enough so that he feels he knows his moral character, why, if Mr. Morgan knows anything about the banking business, it has considerable to do with his getting financed? Do you think that is true?

Mr. ARMOUR. Absolutely.

Mr. HENEY. Now, then, what banks are you connected with in any way as a stockholder, we will say in Chicago?

Mr. ARMOUR. Well, I tell you, Mr. Heney, that this list is open to anybody. I think it was published April 1.

Mr. HENEY. It was published in the Chicago newspapers?

Mr. ARMOUR. Yes; so I have no doubt you already have the information, because I know you can get it.

Mr. HENEY. I know it is obtainable, because it is published in the newspapers there in Chicago, under their State law.

Mr. ARMOUR. You want to know what bank I am interested in in Chicago?

Mr. HENEY. Yes.

Mr. ARMOUR. The Continental & Commercial.

Mr. HENEY. That was founded by your father, Phil Armour, was it not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. You are a director in that bank?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Do you hold any executive office?

Mr. ARMOUR. No, sir.

Mr. HENEY. Are you a director in any other bank in Chicago?

Mr. ARMOUR. No, sir.

Mr. HENEY. The Continental & Commercial has a number of subsidiaries?

Mr. ARMOUR. No; they have not; no.

Mr. HENEY. A number of allied banks, have they not?

Mr. ARMOUR. No, sir.

Mr. HENEY. What is the Hibernian Savings Bank?

Mr. ARMOUR. Oh, I beg your pardon. That is the Continental & Commercial Trust Co. That is considered the same bank, although one is a trust company and the other is a regular bank.

Mr. HENEY. They are under the same ownership and management?

Mr. ARMOUR. Yes; it has the same name. Anyone owning stock in the Continental & Commercial Bank, that stock carries the ownership of the other bank with it. There is no separate stock.

Mr. HENEY. Is the Hibernian Savings Co. connected in any way with the Continental & Commercial Trust Co.?

Mr. ARMOUR. It is the Continental & Commercial Trust Co.

Mr. MAYER. That has been merged into the Continental & Commercial Trust Co.; its business has been practically taken over by the trust company.

Mr. HENY. Are those the only banks you have stock in in Chicago?

Mr. ARMOUR. No.

Mr. HENY. What others?

Mr. ARMOUR. The Central Trust, the First National, the Stockyards Bank—I don't know; I guess that is all.

Mr. HENY. At the time of Edward Morris's death, he was quite a large stockholder in the First National Bank, was he not?

Mr. ARMOUR. Yes.

Mr. HENY. And his estate still is?

Mr. ARMOUR. I do not know, Mr. Heney, I am sure.

Mr. HENY. And Thomas E. Wilson was one of the trustees of the Morris estate, was he not?

Mr. ARMOUR. I understand so; yes, sir.

Mr. HENY. Mr. Armour, in 1902, at the time of that proposed merger, Mr. E. H. Harriman was one of the parties who was expected to join in making the loan. How did it come about that he was connected with that?

Mr. ARMOUR. Why, I do not know. I presume that it came about by his close friendship with Mr. Stillman; I assume that was the way it came about. He was very close to Kuhn, Loeb, and Mr. Stillman, and I assume that he wanted a part of it.

Mr. HENY. Which of the New York banks is Mr. Stillman connected with?

Mr. ARMOUR. The National City—he was connected with it.

Senator PAGE. He was president, and is now dead.

Mr. HENY. Yes. And now the vice president of the National City Bank at the present time is Mr. McRoberts, is he not?

Mr. ARMOUR. He is one of them.

Mr. HENY. Is he the same man who was at one time the treasurer of Armour & Co.?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Was he not president of the Kansas City Stock Yards Co. at one time?

Mr. ARMOUR. No; he was president—no, never.

Mr. HENY. What was it that he was president of?

Mr. ARMOUR. In Kansas City?

Mr. HENY. Was it Kansas City or Omaha—somewhere?

Mr. ARMOUR. Well, I do not remember whether he was president of the Omaha yards, but probably so, because Mr. Dunham is now president of the Omaha yards, and he is one of my men, one of Armour & Co.'s vice presidents, and succeeded Mr. McRoberts.

Mr. HENY. Well, at the time you were arranging for that merger, Armour, Swift, and Morris made the agreement without having Cudahy and the Sulzberger Sons in with it in the beginning. Do you recall that?

Mr. ARMOUR. I think that was so; yes.

Mr. HENY. And you agreed you would buy up some of these other plants, that you were going to merge?

Mr. ARMOUR. Yes.

Mr. HENEY. And you three went out and bought, with the understanding that each was buying for the corporation that was to be organized afterwards?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. You personally bought the Hammond Co. at that time, did you not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. On what sort of basis did you buy up these other companies? Did you buy the stock or the controlling interest, or what?

Mr. ARMOUR. Well, we just bought them the best we could, and some of them were pretty high.

Mr. HENEY. I know that, but I was wondering whether you bought the stock.

Mr. ARMOUR. We bought the company. Do you mean whether we bought the physical assets?

Mr. HENEY. Or the stock.

Mr. ARMOUR. I think we probably bought both.

Mr. HENEY. Now, in some cases you say you had to pay more than you thought it was worth?

Mr. ARMOUR. Yes; it turned out that way.

Mr. HENEY. And you put in jointly, as it turned out, in those purchases, something over \$12,000,000, did you?

Mr. ARMOUR. Fifteen, I think the figure was.

Mr. HENEY. At the end of 1902, when you were about to close the deal up, it turned out that Mr. Jacob Schiff, of Kuhn Loeb & Co. were not going to go ahead and let you have the \$60,000,000, and then you organized the National Packing Corporation, and put these plants into it?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Which you had purchased?

Mr. ARMOUR. We had these plants on our hands and did not know what to do with them. That was the reason of the birth of the National Packing Co.—the organization of the National Packing Co.

Mr. HENEY. Sulzberger & Sons and Cudahy had agreed to come in on the merger, but when the merger fell down they did not go into the National Packing Corporation?

Mr. ARMOUR. That is right.

Mr. HENEY. Did the National Packing Corporation at that time take in those who had been your principal competitors in the country in the packing business?

Mr. ARMOUR. They took in all the companies that we bought. They were competitors, naturally, because anybody we bought, large or small, was a competitor.

Mr. HENEY. Those that you bought, were they really the principal ones in the business outside of the five?

Mr. ARMOUR. Why, they were the large ones, yes. I would say they were the large ones; perhaps they were the principal ones, although they were not all the principal ones, because one of the biggest packing companies in this country, now and then, was the Kinga Co., of Indianapolis. I mean we did not get them all, but what ones we got were quite substantial.

Mr. HENEY. Would you say that the independents, named in the order of their importance as to size or business, would be Kingan, Dold, Morrell, and Hormel?

Mr. ARMOUR. I would guess that was pretty near right.

Mr. HENEY. Is the Kingan Co. owned by foreign capital—English capital?

Mr. ARMOUR. Entirely so.

Mr. HENEY. Entirely so?

Mr. ARMOUR. Yes—well, Mr. Sinclair, I guess, is a stockholder, but I have always understood that the principal stockholders lived in Ireland.

Mr. HENEY. The principal part of their business is hog, is it not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. They are not much of competitors, as to cattle, are they?

Mr. ARMOUR. They do not do a great deal of cattle business; they do considerable.

Mr. HENEY. It does not amount to very much so far as the business of the big five is concerned?

Mr. ARMOUR. No; I would not think so.

Mr. HENEY. Now, from the time that the National Packing Co. was organized, or when it was organized, its board of directors was composed of the same identical men who had been meeting in the Veeder pool, from 1893 to 1902, was it not?

Mr. ARMOUR. They may not have been the identical men, but the board of directors was representative of the big packers and owners of the National Packing Co.

Mr. HENEY. Armour, Swift, and Morris?

Mr. HENEY. And, as a matter of fact, the personnel of it happened to be the same men, exactly the same men, who had been meeting every Tuesday afternoon at Mr. Veeder's office?

Mr. ARMOUR. There were some of the same men; I do not think all.

Mr. HENEY. My recollection is that the records show all but one.

Mr. ARMOUR. Well, possibly—yes; all right.

Mr. HENEY. And that was the New Jersey man who is dead. Now, the board of directors of the National Packing Corporation met at the same hour on the same day of the week in the same office that the Veeder pool had been meeting, did they not?

Mr. ARMOUR. No, sir; I think not.

Mr. HENEY. Did Mr. Veeder move his offices?

Mr. ARMOUR. They met at the same hour, but they did not meet in the same office.

Mr. HENEY. They met the same day?

Mr. ARMOUR. The same day, I guess; yes.

Mr. HENEY. And Mr. Veeder moved his office from the Counselor Building to another building?

Mr. ARMOUR. No; Mr. Veeder had nothing to do with it; Veeder dropped out then, and had nothing whatever to do with it. I do not believe that Mr. Veeder was ever at a directors' meeting of the National Packing Co. That is simply from memory, but I do not think he ever was there.

Mr. HENEY. Where did they meet?

Mr. ARMOUR. In the Rookery Building in Chicago, at the offices of the National Packing Co., which were in the Rookery Building. That is on La Salle Street.

Mr. HENEY. Yes; I know where it is. They continued to meet on Tuesday afternoons at 2 o'clock?

Mr. ARMOUR. Yes.

Mr. HENEY. When they met, did they not exchange information in regard to the market and the markets?

Mr. ARMOUR. Well, they met trying to run the National Packing Co., which they did, and I have no doubt—which was as natural—

Mr. HENEY. Certainly.

Mr. ARMOUR (continuing). As for anybody else to do it—they naturally exchanged whatever information they could get from one another. The National Packing Co., as you know, was not a successful concern; they never made any money to speak of.

Mr. HENEY. They never aggressively attempted to take business away from Swift, Armour, and Morris, did they?

Mr. ARMOUR. Well, I do not suppose I would be generally believed when I tell you something. Perhaps you will believe me; I hope you will. I suppose ordinary people would say that the National Packing Co. was a pretty nice, soft thing for the packers to have. Theoretically, that is the way the National Packing Co. should have been run. Practically, it did not happen to be the way the National Packing Co. was run.

The National Packing Co. was run by several men and finally it was run by Edward Tilden, who was a very progressive and aggressive person, and they were in severe competition with Armour & Co. and I dare say with Swift & Co. I know they were with us, and if they were with us, they must necessarily have been with Swift. And it was with the greatest difficulty that we could keep them down to doing an ordinary business, although we did own the company. I do not know, but I presume that would not be the general understanding as the understanding is, but those are the facts, and that is why the National Packing Co. never made any money, because they were so aggressive and tried to do so much business that they not only did their own business very poorly, but they were always a thorn in the side of the other packers.

Mr. HENEY. Edward Tilden acted as trustee for Mr. Swift in quite a number of different things from time to time, did he not?

Mr. ARMOUR. Why, I do not know. It is possible he did.

Mr. HENEY. You know he did in the Eel oil matter, don't you?

Mr. ARMOUR. I know somebody did; I do not know that he was the man, but somebody did.

Mr. HENEY. Well, Edward Tilden, during the time he was president of the National Packing Co., acquired the stock of Joseph in Swartzchild & Sulzberger about 1907. Do you recall that?

Mr. ARMOUR. He did not acquire it for the National Packing Co.

Mr. HENEY. Did he acquire it for Swift?

Mr. ARMOUR. I do not know; he did not acquire it for the National Packing Co.

Mr. HENEY. Well, Swift afterwards had it?

Mr. ARMOUR. Yes; but it was never owned by the National Packing Co.

Mr. HENY. You think it was not?

Mr. ARMOUR. In fact, I know it was not.

Mr. HENY. Well, at the time Joseph was an executive officer as well as a director of Schwartzchild & Sulzberger—he was a son-in-law of Schwartzchild—and Tilden entered into an agreement with him that he was to remain there for 10 years where he was, if he could, or he would give him an equally responsible position and give his son a position if they were put out of there—out of Schwartzchild & Sulzberger. And when Sulzberger discovered that Joseph had sold his stock to Tilden he did put him out as a director and as an officer, and thereupon Joseph went over to the New York Dressed Beef Co., which was composed of a lot of New York butchers who had got together to have a cooperative independent concern of their own, and said he was out, and wanted to get a job, and he got a portion or a majority of that stock for Tilden. Now, was that for the National Packing Co.?

Mr. ARMOUR. I have heard that story before, Mr. Heny. I personally do not know that it is true; I had heard some story like that. I will say to you that the National Packing Co.—Mr. Tilden—never bought any stock of that Sulzberger Co. directly or indirectly, for the account of the National Packing Co., it never landed in the National Packing Co. If he bought any stock in the Sulzberger Co. I never knew of it. When I say I never knew it, I mean it never was done for the National Packing Co., and never landed in the National Packing Co., and they never during their existence owned any interest directly or indirectly, in the Sulzberger concern.

I will say to you that the National Packing Co. did acquire the United Dressed Beef Co., which is alongside of Sulzberger, and on the East Side of New York, and they kill kosher cattle, and that is now owned by Swift & Co. But you already know this.

Mr. HENY. How about the New York Dressed Beef Co.?

Mr. ARMOUR. The New York butchers?

Mr. HENY. The New York butchers.

Mr. ARMOUR. That is owned by Armour & Co. That was owned by the National Packing Co.

Mr. HENY. Yes. Wasn't that the company in which Joseph got this stock, or was that the United?

Mr. ARMOUR. I do not know that Joseph got the stock, but the stock was owned by the National Packing Co., and in the dissolution of the National Packing Co. Armour & Co. took the New York butchers' concern, which is on the West Side of New York, and Swift took the United Dressed Beef Co., which is on the East Side of New York City, and both of those companies kill kosher cattle.

Mr. HENY. I see.

Mr. ARMOUR. But I guess you already knew that, did you not, Mr. Heny?

Mr. HENY. Yes; from the records.

Mr. ARMOUR. Then I am wasting time telling it to you.

Mr. HENY. No; because the committee does not know it.

Mr. ARMOUR. Well, it is not a secret at all; everybody knows it.

Mr. HENY. In the injunction suit that the Government brought in 1902, a judgment was taken pro confesso in May of 1903—I am

stating it as it appears on the record. It was affirmed by the supreme court.

Mr. MAYER. That is, there was a demurrer filed to the bill. The demurrer was overruled, and the defendants stood by their demurrer and appealed to the supreme court, and the supreme court affirmed it. There never was any trial.

Mr. HENEY. The defendants let the allegations stand.

Mr. MAYER. Just as a demurred at law or in equity always does.

Mr. HENEY. And after the demurrer was overruled, they——

Mr. MAYER. Stood by the demurrer and appealed.

Mr. HENEY. When it came back, they could have filed an answer, could they not?

Mr. MAYER. No; it having been affirmed by the supreme court, that ended it.

Mr. HENEY. In that case Patrick A. Valentine was one of the defendants and Louis Felzer was one of the defendants. Is that the Louis Felzer who is running a packing company in Chicago now?

Mr. ARMOUR. I think so—oh, no; he is dead. I guess he was the father of the boy who is running that packing plant. There is a Felzer there, but I guess that Louis Felzer was his father.

Mr. HENEY. There is a Valentine who is a director in Armour & Co. Is that this Valentine?

Mr. ARMOUR. No; that Valentine is dead. He died several years ago. It is another Valentine.

Mr. HENEY. You say in this statement that Armour & Co. have nothing to do with any fisheries. Does Armour & Co. handle any canned fish at all?

Mr. ARMOUR. Yes.

Mr. HENEY. Whose output do they handle?

Mr. ARMOUR. We do not handle anybody's output, as you understand it, in the entirety, but we handle some from the Booth Fishery Co. and we buy others where we can.

Mr. HENEY. Is the Valentine who is a director of Armour & Co. an owner in the Booth Fishery?

Mr. ARMOUR. No, sir. It was that Valentine that was——

Mr. HENEY. This Valentine here was in the Booth Fishery?

Mr. MAYER. The man who died.

Mr. ARMOUR. The man who died had some interest in the Booth Fisheries Co., but not while he was connected in any way with Armour & Co.

Mr. HENEY. The Valentine who is now connected with Armour & Co. has no interest in the Booth Fisheries?

Mr. ARMOUR. Not that I know of, and I do not think he has.

Mr. HENEY. And his wife has not?

Mr. ARMOUR. He has not any wife. The one that is alive now!

Mr. HENEY. Yes.

Mr. ARMOUR. He has not any wife; he is a widower.

Mr. HENEY. Did this Valentine never have any interest in the Booth Fisheries?

Mr. ARMOUR. The one that is with us now?

Mr. HENEY. Yes.

Mr. ARMOUR. Never, so far as I know; I do not think he had.

Mr. HENEY. Was he interested at any time in the Central Leather Co.?

Mr. ARMOUR. The one that is alive now?

Mr. HENEY. Yes.

Mr. ARMOUR. No, sir; it was the other one.

Mr. HENEY. What relation are they to each other, if any?

Mr. ARMOUR. None whatever, I think. I think I can clear that up, if you want to be cleared up on it.

Mr. HENEY. Yes.

Mr. ARMOUR. The one that is dead married my brother's widow. P. A. Valentine married my brother's widow, and he is now dead.

Mr. HENEY. He is the one who did have an interest in the Booth Fisheries?

Mr. ARMOUR. Not while he was with Armour & Co.

Mr. HENEY. But he did have an interest at the time he died?

Mr. ARMOUR. I do not think he did when he died.

Mr. HENEY. Has his widow any interest in it?

Mr. ARMOUR. No; I do not think so. The Booth Fisheries failed and Mr. P. A. Valentine, the man who is now dead, was called in to help reorganize the concern. He lived in New York, and had severed all his connections with Armour & Co. He lived in New York and was called in by the Booth Fisheries Co., because Mr. Booth was his brother-in-law. He was called in at the time of their failure to help them reorganize, and I have understood that he had some stock; that he got some stock or bought some stock when he helped them reorganize. But that had nothing whatever to do with Armour & Co. He happened to be with Armour & Co. some 8 or 10 years, or several years, prior to the time the Booth people failed, and the reason he was not in it was that the head of the Booth Co. was his brother-in-law.

Mr. HENEY. So that neither Armour & Co.—

Mr. ARMOUR. Directly or indirectly.

Mr. HENEY (continuing). Or yourself—

Mr. ARMOUR. No; never had a dollar's interest in the Booth Fisheries.

(Thereupon, at 4.40 o'clock p. m. the committee adjourned, to meet at 10 o'clock a. m. Monday, January 27, 1919.)

GOVERNMENT CONTROL OF THE MEAT-PACKING INDUSTRY.

MONDAY, JANUARY 27, 1919.

UNITED STATES SENATE,
COMMITTEE ON AGRICULTURE AND FORESTRY,
Washington, D. C.

The committee met, pursuant to adjournment, in room 326, Senate Office Building, at 10 o'clock a. m., Hon. Thomas P. Gore presiding.
Present: Senators Gore (chairman), Page, Gronna, and Norris.

STATEMENT OF MR. J. OGDEN ARMOUR—Resumed.

Mr. HENNEY. Mr. Armour, on page 1889 of the record of the testimony taken on Saturday, I find this statement made by you [reading:]

Mr. HENNEY. With that aim on your part to do half of the business there—

This is referring to Fort Worth—

and Swift's aim to do half of the business there, do you think that that created any real competition?

Mr. ARMOUR. Well, I think anybody down there will tell you that there is as much competition—in fact, there are a great many commission men down there and they have grown quite large yards, and I think any one down there, any one who ships cattle there to commission men, will tell you that there is a whole lot of competition.

Mr. HENNEY. In what way does that competition exist?

Mr. ARMOUR. Well, the competition there, Mr. Heney, is just the same, I think, as the competition in any other yards. There are other buyers there beside the packers', and the mere fact that we want half of the business there would create in itself a certain amount of competition, if the market at Fort Worth is what we call "out of line," why the commission men there know it just as quickly as we know it, and the same commission houses that have offices at the other stockyards have offices there, and they are in constant communication with each other as to the price of live cattle.

So that if the market down there should be low on any one day, which it might be in any market, out of line, so to speak, that automatically regulates itself. The commission men know that—that if they can not get as much for their cattle there as they think they could get at other markets they would ship the cattle alive.

Mr. HENNEY. That last statement is really the only safety valve for that, is it not?

Mr. ARMOUR. No; I think not, Mr. Heney, because there are other people—you see, we are not the only buyers in Fort Worth. While we are the largest buyers at Fort Worth, naturally we are not the only buyers at that point. There are other people down there who

buy cattle and some hogs, but more cattle than hogs, pretty nearly every day.

Mr. HENEY. Do you know what percentage of the cattle sold there in 1917 Swift and Armour bought compared with what was bought by outsiders?

Mr. ARMOUR. I do not know the percentage, but I would think the percentage that Swift and Armour bought was very great compared to anybody else.

Mr. HENEY. Probably 95 per cent?

Mr. ARMOUR. Well, I do not know. I would not be surprised if it was, but perhaps not quite that much. It is very great, as we naturally kill most of the cattle that come there.

Mr. HENEY. If the demands of the outsiders does not exceed 10 per cent of the total receipts for the year, Swift and Armour could very easily hold back in the morning and let the outsiders get their necessities and have no trouble about taking the balance, except they would have to keep in mind the fact that Fort Worth must not get too far out of line; is that true?

Mr. ARMOUR. I think that would be possible, Mr. Heney. But while it would be possible, I do not think it is to the interest of Armour or Swift to do that in the long run. They might do it for one day or two days, but it is to our interest there to have a supply of cattle coming.

Now, if the Fort Worth market was out of line, so to speak, with the other markets, it would affect the receipts of live cattle, and if you stop the flow of cattle to any one market it is very difficult to start that flow up again; and then the Fort Worth market would get the name throughout the country among the owners of cattle that it was a poor place to ship their cattle to. If I was an owner of cattle or you were an owner of cattle you would avoid the Fort Worth market, and, of course, in the long run that would affect us to a very much greater extent than any little advantage we might try to take for the time being.

Mr. HENEY. The same thing would be true in Chicago, would it not?

Mr. ARMOUR. Yes; I think it would; except in Chicago, of course, there are more outside buyers than there are in Fort Worth.

Mr. HENEY. And yet the stock producers have been complaining very bitterly for years about the fluctuation in prices at Chicago, have they not?

Mr. ARMOUR. Yes.

Mr. HENEY. And, as a matter of fact, the commission men have protested in writing, and 76 out of 84 of the stock exchange signed the protest that the buyers of the big packers were hanging back in the morning when there were large runs—would go out at 11 o'clock and sometimes later, instead of 9 as it used to be before. Is not that a fact?

Mr. ARMOUR. I think, Mr. Heney—I will answer that question now, but I think I answered it last week.

The question of going out in the morning is not as important as one as it would seem on the face of it, because if there is a big run of cattle posted up, it does not make much difference, if you are a cattle buyer, whether you go early or late. You know about

how many cattle are going to come in those yards during the day, and you assume naturally that the buyers are men of intelligence, and as to whether you go out at 10 o'clock in the morning or whether you go out at 11 o'clock in the morning, that theoretically, perhaps, has an appearance—but a man that goes out at 10 o'clock in the morning knows, usually, the same as you would or I would—about how cattle are going to sell. And, as I said last week, that, in my opinion, is one great trouble that exists nowadays in the industry; it is this heavy run one day and a light run the next, notwithstanding that what has been said, that the packers do not like, because it creates discontent, and, if there be, as I said, any little bit of advantage, that might come to us or to the buyers; I do not think, in a broad way, that that offsets the discontent and the fluctuations that are caused by doing that.

If you will allow me to explain a minute—I want to get away from here, but I can not—I have got to explain, if you will let me. For instance, 43,000 hogs came into Chicago this morning. I presume that ordinarily, considering the way the receipts of hogs have been running, there might have been 70,000—I just put that in as an example. Last week there was a glut of hogs in Chicago, and they sent out broadcast, through Mr. Herbert Brown, limiting the receipts this morning, and now they will probably have a steady market or, perhaps, a little higher market in Chicago this morning. If they had not regulated in some way the shipments, in the natural order of things, there would probably have been a good deal more than 43,000 hogs in Chicago this morning.

Mr. HENNEY. Now, but if there are a lot of outside traders in Chicago, and they go in and take the first choice of the fat hogs, while the big packers' men remain in their offices, and they establish a price for the day that puts you people in a position—the big packers in a position where they have to take the poorer quality of animals if they go out late, and they also either have to show a slump in the market, that they are paying less than the others, or else they have to pay more for a poorer quality of hogs than the other men are buying; that is true, is it not?

Mr. ARMOUR. That is true, Mr. Heney.

Mr. HENNEY. Let us see if it makes any difference about going out generally late in the morning. Is it not true that if there is a big run of cattle, that the first man out has the choice of those already in the pen, and that if the packers' buyers do not come out it is bound to make the commission men feel anxious and the shipper who is there feel anxious about whether he is going to get his cattle sold? There is a shrinkage going on which amounts to considerable even in that one day, is there not?

Mr. ARMOUR. That would not be so much, because all the cattle—they undertake as a rule—all the cattle that are bought that day they try to weigh that day, whether they have bought early or late. Of course, some of the cattle that are bought early may be weighed an hour or two earlier than the cattle that are bought later. But, for instance, all the cattle bought on Monday are weighed on Monday, unless it is a physical impossibility; it is not usual that they carry them over to the next day and weigh them, because they want to get the money for them, and that is the usual practice of weighing the cattle every day.

Mr. HENNEY. One of the complaints of the commission men in this written complaint which I speak of—which I will produce, although I have not it right at my finger's end now—was that when the buyers went out earlier for the big packers, the cattle were weighed and the owners—the sellers got their money on the same day, whereas, where the buyers for the big packers go out late they do not get their money the same day?

Mr. ARMOUR. I am not trying to shift the blame of that onto anybody, but the cattle are weighed just as quickly as they have scales to weigh them, and if there is a very big run of cattle, I presume it is a physical impossibility and it has occurred quite frequently during the war where they have been short of men, and that is where they have not been able to get their cattle to the scales and weigh them. That is not our fault. I am not shifting the blame to anybody, but that does not happen to be our fault; that happens to be because it is not a physical possibility when they have had the enormous runs of cattle, as we have had, to get them all weighed that day. But as far as we are concerned, we would rather have them weighed that day—we would just as leave have them weighed that day; and that is the general way that the business is done, all the cattle are weighed the day they are bought.

Mr. HENNEY. Mr. Armour, if the buyers start at 9 o'clock instead of 11 o'clock, they could get a great many more cattle weighed that day than if they started at 11 o'clock, could they not?

Mr. ARMOUR. They could, provided the cattle have been yarded. The receipts of cattle, on heavy days, and especially during the war—which I hardly think is a criterion to go by, but it has existed during the war—there has been a shortage of labor, there has been a delay in getting the cars sent to one road, and if the receipts are 30,000 head of cattle, there is no use of any buyers going out until there is a pretty good supply of cattle yarded and in the pens ready to sell.

I am not finding any excuse for not going out in the morning, but that does not wholly mean that if a man goes out late—I say "late," 11 o'clock—it does not always mean that because he goes out late that a man might get less for his cattle.

Mr. HENNEY. Let us see about that. Are not cattle bought on what they call the "fill,"—are they not bought on the fill, that is to say, has it not been the rule in Chicago and the other live-stock markets for the past 30 or 40 years that the shipper is supposed to feed and water his cattle in the morning so that he may sell the cattle and have them weighed on the fill?

Mr. ARMOUR. Yes, sir; it is to his advantage.

Mr. HENNEY. In order to make up for the shrinkage that takes place in shipping and which the animal is supposed to get back after some hours of rest?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. Now, then, instead of buying at 9 o'clock they bought at 11 it delays the cattle getting to the scales a couple of hours longer, and will not that make an average difference of 10 pounds or 15 pounds per animal on the weight?

Mr. ARMOUR. You mean loss of weight?

Mr. HENNEY. Yes.

Mr. ARMOUR. Well, it would depend a good deal on what time they get their animals unloaded. If they got their animals unloaded early, it would make some difference; I do not know how much. But if they do not get them unloaded until late, it does not make that difference.

Mr. HENRY. It would be a substantial amount on a trainload of cattle, would it not?

Mr. ARMOUR. Well, I do not think I could answer that question; I do not think I am close enough to the actual buying to answer that question intelligently.

Mr. HENRY. This complaint of the stock exchange which I have in mind—of the commission men—was in 1916, as I recollect it. So these complaints about the late buying has been going on for some years, have they not?

Mr. ARMOUR. I think off and on; yes. But I think, Mr. Henry, if you will allow me to say so, if there is complaint, that has been regulated to a great extent.

Mr. HENRY. Just recently the big packers have agreed with the stock exchange that buyers shall go out at 9 o'clock?

Mr. ARMOUR. Recently; yes—some months ago.

Mr. HENRY. A few months ago?

Mr. ARMOUR. Yes.

Mr. HENRY. As a result of this agitation, was it not?

Mr. ARMOUR. I would think, naturally, that would be the result of it.

Mr. HENRY. That is at Chicago. Has the same agreement been made at the other yards, do you know?

Mr. ARMOUR. I do not know whether they have been made at the other yards or not, but I think, naturally, you can not do very much differently in one yard than you do at the others.

Mr. HENRY. Going back to Fort Worth and the question of the buyers going out late: You say that even though the buyers for the big packers go out late that it will not make much if any difference? Is it not a fact that overnight the big packers in Chicago have telegraphic information as to all sales at all the other stockyard centers as to the prices at which they were sold, as to how many were purchased by each one of the five big packers, and such other information as you think necessary to enable you to determine what you ought to pay the next day?

Mr. ARMOUR. Well, they do have everybody's purchase sent on from our different houses. We naturally know how many cattle or hogs everybody buys on the market.

Mr. HENRY. Is not that all compiled that night and early the next morning; and do you not send a telegram to each one of the stockyard centers, to your representatives there, as to whether he is to hold the markets steady or whether he is to advance 10 or decrease 10 or 5, or whatever you may think. In other words, you send instructions as to about how he is to go on the market?

Mr. ARMOUR. We do not send the information as specifically as you say.

Mr. HENRY. In what form is it sent?

Mr. ARMOUR. Why, our man in Chicago will send a telegram in the morning to the different markets saying that, as he thinks, he hopes to buy cattle "to-day higher, lower, or steady." His information is

general, because it could not be anything else, because there are so many different kinds of cattle.

Mr. HENNEY. Late in the day when he does get to buying he wires again and tells them how it is going?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And this is at least twice during the day, afterwards, is it not?

Mr. ARMOUR. Yes; he might wire them more than twice, Mr. Henney?

Mr. HENNEY. The other markets are supposed to keep in line with Chicago—Chicago makes the price, does it not?

Mr. ARMOUR. I would think so, in a general way.

Mr. HENNEY. Then if the buyers for the five big packers hold back until 11 o'clock in the morning, and the selling has started at the other places like Fort Worth, where the sun is up just as early as it is in Chicago, and Kansas City nearly as early, practically the same at Omaha, Sioux City, and St. Paul—if they start buying earlier, how do they know whether they are in line with Chicago or not? Who is fixing the price then?

Mr. ARMOUR. There is not any one fixes the price on cattle. A man at each yard has got to buy cattle pretty nearly according to his judgment. He naturally gets the cost of cattle; he knows the next day or the day following about what cattle are costing at Chicago, and the man at Fort Worth and the man at Kansas City can only have his orders in a very general way. He is never held down specifically, because you can not buy cattle that way. He might go ahead and buy his cattle—and quite frequently it might be lower than Chicago; or they might be very much higher than Chicago.

Mr. HENNEY. If he gets very much higher he gets a call down, does he not?

Mr. ARMOUR. Naturally.

Mr. HENNEY. And he does not do that the next day?

Mr. ARMOUR. And the next day he might miss some very good trades; if he was afraid he was out of line he would not know what to do.

Mr. HENNEY. And the shipper would probably have to reship his cattle?

Mr. ARMOUR. If that happened he would——

Mr. HENNEY (interposing). He would have perhaps some shrinkage and lose some money?

Mr. ARMOUR. Not necessarily, because our buyer might be called down and he might be rattled, and the next day there might be a lot of cattle on the market that he ought to have bought. But that might not hold good with the other packers.

So that the cattle are only bought in a general way; you can not tell a man what to do from hour to hour, or really from day to day. They give them the general information as far as they are able to give it to them, and then the man at Omaha, the man at Kansas City, and the man at Sioux City—the different places—has got to use his own judgment.

Mr. HENNEY. But you give them that information from hour to hour, practically?

Mr. ARMOUR. I do not know how many times—if the market varied, we would; yes.

Mr. HENEY. Yes.

Mr. ARMOUR. But if there was not any particular change in the market, naturally we would not.

Mr. HENEY. And he will assume there is not any change unless he gets a telegram notifying him there is a change.

Mr. ARMOUR. Of course, Mr. Heney, it is to Armour & Co.'s interests the same as it would be to a live-cattle man's interests, to try and give as much information as we can to the different houses that Armour & Co. run; that is natural.

Mr. HENEY. That is good business.

Mr. ARMOUR. That is good business; that is natural business.

Mr. HENEY. Certainly. And I only wanted to develop how it is actually done.

Mr. ARMOUR. That is all right, Mr. Heney, and I am trying to answer your questions.

Mr. HENEY. At Fort Worth, if the buyer gets a telegram in the morning that your buyer in Chicago is going to try to buy lower, five points lower?

Mr. ARMOUR. Sometimes they say the number of points in these telegrams. They say "10 lower or 10 higher," or "the market will be higher or lower."

Mr. HENEY. Then, if your Fort Worth man commences buying lower, and then, two hours later, your man commences buying in Chicago, and he does not buy lower, is there an attempt made—do you wire the Fort Worth man to bid a little higher, or do you let him take them at what he is getting them at?

Mr. ARMOUR. Do you know I have heard cattle buyers say they can see 10 cents a hundred in cattle, but I do not believe it. Do you know what I mean? I do not think any man is smart enough to see 10 cents a hundred in cattle. You can only see 10 cents a hundred in cattle when the cattle are killed. That is my personal opinion. Perhaps some people may not agree with me on that, but I do not think it is possible for anybody to see 10 cents a hundred in cattle. Very often our man will wire down to Fort Worth that "We are buying cattle lower here to-day. How is your market?" The Fort Worth man will come back and say, "Steady"—or, it may be Kansas City, for instance, as that is more in line, because they have the same kind of cattle.

Our man will go back and say, "We are buying our cattle lower. Why don't you?" He will say, "I think our cattle are lower than yours anyway," and still they might be steady. Do you see what I mean?

Mr. HENEY. Yes; I see what you mean. But if the grade of cattle in Kansas City is practically the same as your grade of cattle at Chicago, why, then, if on the average you buy at 10 cents lower at Kansas City than you do in Chicago, you come out 10 cents better off, do you not? I am speaking about each particular line.

Mr. ARMOUR. You always consider the freight.

Mr. HENEY. Certainly. Well, that is taken into consideration when they say they are buying lower?

Mr. ARMOUR. Yes.

Mr. HENEY. But, as a matter of fact, they pay more money than they pay in Chicago, you would still be buying lower, if you considered the freight, would you not?

Mr. ARMOUR. I do not know that I just catch your question.

Mr. HENEY. Well, the point is what I developed the other day, that you can slaughter in Kansas City cheaper?

Mr. ARMOUR. Oh, yes.

Mr. HENEY. So that you would be buying lower if you paid the same price there?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. At Fort Worth, if they are competing with each other to sell, they are really competing to sell to Armour or Swift the bulk of the cattle, 90 per cent of them, and you would hardly call that competition that would help the producer any, would you? I was trying to get at what you meant by competition among the commission men at Fort Worth.

Mr. ARMOUR. I mean that most of the commission men in the stock-yards, or a great many of them, have offices at Fort Worth, Kansas City, Chicago, St. Louis, and all the markets; and they are just as well posted on what cattle are worth as the buyers are; that is their business; if they are not, you would not ship cattle to them. And if a man ships cattle to a commission house in Fort Worth, why, we do not have to tell him. He knows without any of the packers telling him what those cattle ought to bring on the Fort Worth market, by reason of what they bought last week, what they bought in the other markets, and if we can not come pretty nearly—he knows the fellows we know when he sells those cattle whether to sell them to Swift and Armour or to any one else, whether he is getting as good a price for those cattle as he got, for instance, last week or as they would bring if they were in Kansas City.

Mr. HENEY. Yes, Mr. Armour; but he also knows that if the price is less than the difference in freight—merely an offset for that—and then if something lower than that, he knows that if he advises his clients to reship the cattle to Kansas City that he is going to be out the shrinkage in addition to that freight, and take his chances on the market being lower a day or two later in Kansas City when the cattle arrive there?

Mr. ARMOUR. Or higher?

Mr. HENEY. Yes; or higher?

Mr. ARMOUR. I mean, take the chances of the market?

Mr. HENEY. He takes the chances of the market. Now, as a rule, when there is a large discrepancy in the price that he is offered at Fort Worth, if he is at all conservative as a business man he will advise his man not to reship, will he not?

Mr. ARMOUR. Of course, he might and he might not.

Mr. HENEY. Let me take one other point: He knows that the bulk of the cattle are going to be purchased by the five big packers at whatever market he goes into. He knows they are practically his only buyers for 90 per cent of his client's cattle. Is that going to stimulate him to try to get all he can possibly get out of them each particular time, or is he going to take into consideration the fact that they are customers whom he would like to be on good terms with and sort of keep the friendship of because they can favor him a little?

Mr. ARMOUR. Mr. Heney, I would be inclined to agree with you, provided that I agree with you on the assumption that the packers could make the price for cattle. I do not agree with you that the

packers do make the price on cattle. I do not say they have not a great deal to do with it, but I think there are other buyers besides the packers.

Mr. HENEX. You leave that out, you said?

Mr. ARMOUR. You can not leave that out.

Mr. HENEX. Just for the purpose of this question, you said a moment ago a man can not see a 10-cent different a hundred in cattle alive. Then your buyer could favor him with the additional 10 cents that can not be seen, or not favor him with it?

Mr. ARMOUR. I do not say it always can not be, but very often it can not be seen.

Mr. HENEX. If a commission man is known to enjoy the friendship of the five big packers, or any one of the five big packers, so that he is sure to get a serviceable bid for cattle shipped to him, do you not think that would have a tendency to increase his business?

Mr. ARMOUR. Why, I think it naturally would. If any one packer favored any one commission man, I think that commission man would probably have some advantage. But a packer could not afford to favor a commission man, because if he did there would be so many other people discriminating against him who were in the live-stock industry that he would find some day that he would not have a very good chance to buy cattle.

Mr. HENEX. Are not some of the commission men known to you five big packers, known to be friendly to your viewpoint on these matters that come up where the shippers and the packers are antagonistic to each other?

Mr. ARMOUR. Well, I would think, Mr. Heney, that any commission man would be friendly to us just as far as it was to his interest to be friendly with us. Now, that would not exist to any greater degree in the stockyards than it would anywhere else. These commission men have got to first—and quite naturally so—look after themselves. That is the natural thing that anybody would do, and I can not imagine, and I do not think, these commission men would be friendly to anybody if it interfered in any way with their clients.

Mr. HENEX. Do you not think that it would be easily possible for him to be known to the buyers of Armour & Co. at all the stockyards; that, for instance, merely by way of illustration, Clay-Robinson were known to be friendly to Armour and the other big packers—and by “friendly” I mean to take their side of it when a question arises like the Borland resolution for an investigation, or to take their side of it when there is a question of a complaint as written by the stock exchange—do you not think it entirely possible for the buyers of Armour to know that situation, if it existed, and to see 10 cents more value in cattle—that is, hidden value—that Clay-Robinson are selling, and go by the pens of the other fellow who is known to be antagonistic to the packer, the other commission men who are constantly trying to raise a fuss on the stock exchange to get the service improved and to have better conditions and to have your buyers come out early, etc.?

Mr. ARMOUR. Well, my experience at the stockyards is that the men of the stockyards are very able, astute people, good business people; and I think they are friendly to the packers when they think the packers are right, and I do not think they are friendly to the packers when they think the packers are wrong. They are very, very strong

individuals, those people are, at the stockyards, and I think they are just like any other set of strong men, and the stronger men are usually the more set they are in their opinions. I think they are with the packers when they think the packers' position is right, and when they think the packers' position is wrong, I do not think they are with us at all.

Do I answer your question?

Mr. HENEY. Not exactly, Mr. Armour.

Mr. ARMOUR. Then, perhaps I do not get it.

Mr. HENEY. You could have answered the question yes or no, and then made all the explanation you desired. Could not such a situation as I have described exist very easily, that the buyers of one of the big packers, or officers, favor a commission man by seeing just a little more value without apparently paying a higher price than they are paying to others?

Mr. ARMOUR. Yes.

Mr. HENEY. See a little more value in his cattle than they see in those in the next pen?

Mr. ARMOUR. Yes.

Mr. HENEY. The next pen being that of a commission man who does not enjoy the friendly feeling of the big packers. That is entirely possible, is it not?

Mr. ARMOUR. Oh, yes; that is possible. The same possibility exists there that rests with any man who is buying anything else of anybody else. Any buyer of anything can pay one man more than he pays another, not only cattle, but anything else.

Mr. HENEY. In other words, kissing goes by favor, and so does business?

Mr. ARMOUR. Absolutely. If a man wants to favor a man, he can do it whether he is buying cattle or anything else.

Mr. HENEY. Have not the five big packers discussed the question of having officers of the stock exchanges at the different cities elected who are favorable to them?

Mr. ARMOUR. No; I think not.

Mr. HENEY. Have they not discussed having men elected as officers of the different State cattle associations and of the National Stock Raisers' Association who are friendly to the viewpoint of the packers as being conservatives as opposed to radicals?

Mr. ARMOUR. I think that is quite natural, Mr. Heney, that the packers' position on that would be the same position that any other industry would be, the same as you or anybody else would be in. We want good people at the head of any institution. That is to our interest. But our interest in the cattle industry is a broad one. It is not directed to one place as against another place.

Mr. HENEY. I am not questioning the motives. But have not the five big packers jointly endeavored to secure the putting of men at the head of these cattle associations who have the viewpoint which the five big packers have as to the industry, as opposed to men who think that the five big packers are in a position where they are not dealing fairly with the producer?

Mr. ARMOUR. I do not know that they have, but I would think it was quite likely, and not only likely but natural, that we would like to have people at the head of these cattle industries who were fair-minded people and fair-minded men. But as an actual matter of

fact, the packers have nothing whatever to do with the election of officers of these cattle associations, because the packers really are in the minority, and they could not do anything if they wanted to.

Mr. HENEY. They can influence men who seem to be leaders among the cattlemen?

Mr. ARMOUR. Are you talking about the cattle industry or the cattle associations?

Mr. HENEY. Cattle associations. Can they not?

Mr. ARMOUR. I think, to a very slight extent.

Mr. HENEY. Take Mr. Dericqules. He was a member of the Marketing Commission of the National Live Stock Association, and was very antagonistic to the packer's viewpoint, at one time, was he not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And he came around to a viewpoint that is in harmony with that of the big packers, did he not, finally?

Mr. ARMOUR. I think he thought that there were a great many complaints against the big packers that when looked into were not fair.

Mr. HENEY. So that he came around?

Mr. ARMOUR. Used the words "came around." You can use them, if you want to.

Mr. HENEY. I mean he changed his viewpoint or changed his conclusion?

Mr. ARMOUR. I understand he did to some extent; yes.

Mr. HENEY. While he was reaching that change in his viewpoint, he came to Chicago, and, through your friendly assistance, succeeded in placing some cattle paper with his loan bank in Denver had, with the Hibernian Bank in Chicago, did he not?

Mr. ARMOUR. I do not know whether he got any money there. It is quite likely he did. But if he did, it was a very good thing for the bank to lend the money.

Mr. HENEY. Do you not recollect that it was through your inter-session that that was brought about?

Mr. ARMOUR. It is barely possible. It might have been.

Mr. HENEY. And that you gave him a letter also to the National City Bank at New York—

Mr. ARMOUR. Yes.

Mr. HENEY (continuing). Recommending him very highly in a business way?

Mr. ARMOUR. I think so; and I would be very glad to give anybody a letter to a bank that I thought would be of assistance to the bank.

Mr. HENEY. You do not think, however, that that friendly aid had anything to do with changing Mr. Dericqules's viewpoint on these matters?

Mr. ARMOUR. I would not think so, if he thought that the packers were wholly wrong; no.

Mr. HENEY. Have Armour & Co. and Swift & Co. any joint interest in the packing business, Mr. Armour? Do they jointly own any packing plants?

Mr. ARMOUR. No, sir.

Mr. HENEY. By that you mean the corporations do not jointly own?

Mr. ARMOUR. Yes.

Mr. HENEY. Have you personally and has Louis F. Swift personally any joint interest in packing plants?

Mr. ARMOUR. When you say "joint interest," what do you mean by that?

Mr. HENY. I mean do each of you own interests in the same corporation that is operating a packing plant? Let me enumerate some properties.

Mr. ARMOUR. All right; go on.

Mr. HENY. Do you own any interest in the Western Meat Co., of San Francisco?

Mr. ARMOUR. I was just going to get to that. I think I own a few hundred shares in that; I do not know. But I inherited that from my father 25 years ago. That is all.

Mr. HENY. Louis F. Swift owns stock in that?

Mr. ARMOUR. I understand so.

Mr. HENY. And Wilson owns some?

Mr. ARMOUR. I do not know.

Mr. HENY. Morris owns some?

Mr. ARMOUR. I think he does; I do not know.

Mr. HENY. And Cudahy owns some?

Mr. ARMOUR. I do not know. I do not think he does, but I do not know.

Mr. HENY. Do you remember whether Louis Swift inherited his also? Did his father go in there with your father?

Mr. ARMOUR. I think so; yes, sir.

Mr. HENY. And probably Nelson Morris went in at the same time.

Mr. ARMOUR. Yes.

Mr. HENY. At the time they went into that, neither Armour & Co. nor Swift & Co. nor Morris & Co. had any plant in California, did they?

Mr. ARMOUR. No, sir.

Mr. HENY. Has Armour & Co. a plant there now?

Mr. ARMOUR. We have a plant at Spokane, that is all.

Mr. HENY. And Swift & Co. have no plants in California?

Mr. ARMOUR. No, sir.

Mr. HENY. And Morris & Co. have no plant there?

Mr. ARMOUR. No, sir.

Mr. HENY. Cudahy and Wilson have a plant down at Los Angeles, each of them, have they not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. The Western Meat Co. is the owner of a plant in Oakland Packing Co., is it not?

Mr. ARMOUR. I do not know that. I know very little about the Western Meat Packing Co., except the fact that I am a small stockholder in the company. I would not be surprised if they have it, but I do not know.

Mr. HENY. You have other interests in California, rather large interests, too, have you not?

Mr. ARMOUR. Packing interests?

Mr. HENY. No, rice lands, I think they are intended to be.

Mr. ARMOUR. I do not know what it will grow, but we own some land near Sacramento.

Mr. HENY. It is a pretty large enterprise, is it not—sixty millions, something like that?

Mr. ARMOUR. Sixty what?

Mr. HENNEY. Sixty millions!

Mr. ARMOUR. Of what?

Mr. HENNEY. Dollars.

Mr. ARMOUR. What? Sixty million dollars?

Mr. HENNEY. Yes.

Mr. ARMOUR. No.

The CHAIRMAN. What is the difference?

Mr. ARMOUR. Figures do not seem to count for much here, anyway. No. We own some land near Sacramento—I say “we” do. There is a company in which we are interested. We are trying to make that land better for California.

Mr. HENNEY. I have no doubt of that.

Mr. ARMOUR. And trying to irrigate it.

Mr. HENNEY. Incidentally, though, while making it better for California, it put a lot of little fellows out of business by flooding back?

Mr. ARMOUR. I do not think it has. I think they have had all the difficulties that go with any new industry that starts.

Mr. HENNEY. That was merely incidental, and I would not have said anything about that except for the fact that you said it was for the benefit of California.

Mr. ARMOUR. Is it not?

Mr. HENNEY. I think any development is for the benefit of California—the territory; but whether it is for the benefit of the people living in it would depend very much on how it is going to affect them in the long run, and I thought we might have a different viewpoint, and it is hardly worth discussing. Is it not the expectation and hope that this is to be rice lands?

Mr. ARMOUR. They have been growing beans there.

Mr. HENNEY. They are growing rice just above, or below, or both?

Mr. ARMOUR. We have not any rice there that I know of, but they have grown mostly beans.

Mr. HENNEY. That will supply a canning factory, then?

Mr. ARMOUR. I hope so.

Mr. HENNEY. Have you any canning factories in California at the present time?

Mr. ARMOUR. That we own?

Mr. HENNEY. Yes.

Mr. ARMOUR. No, sir.

Mr. HENNEY. Do you lease some?

Mr. ARMOUR. No. We may buy the output of some, but we do not own any.

Mr. HENNEY. Are you trying to buy the outputs of any of the big ones?

Mr. ARMOUR. No, sir.

Mr. HENNEY. Have you tried to make arrangements to buy the California Packing Corporation output?

Mr. ARMOUR. No, sir. You mean the large one, the one that Bentley has charge of out there?

Mr. HENNEY. Yes.

Mr. ARMOUR. No. They will not sell it to us.

Mr. HENNEY. How do you know? Did you try?

Mr. ARMOUR. We would be glad to buy if he would sell to us, but he will not.

Mr. HENY. Did you try?

Mr. ARMOUR. I suppose we must have, or we would not have known.

Mr. HENY. That is what I thought. That was last year, was it not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Did you say anything at that time to the effect that if you did not get to buy it you were going in there yourself?

Mr. ARMOUR. No, sir. We are not going in there ourselves, except as to any cooperative arrangement we may make with the growers.

Mr. HENY. Is not the San Francisco market and the Los Angeles market and the coast market generally, with the possibilities of shipments to other places by sea, of sufficient importance that Armour & Co. care to have any packing plant in California?

Mr. ARMOUR. I do not think so. We have not thought so.

Mr. HENY. You have not?

Mr. ARMOUR. No, sir.

Mr. HENY. Are your profits or dividends from the Western Meat Co. substantial?

Mr. ARMOUR. No; they have never been very good.

Mr. HENY. Have you not recently purchased an interest at Spokane?

Mr. ARMOUR. Yes, sir.

Mr. HENY. You bought out the largest plant there, did you not?

Mr. ARMOUR. Yes, sir; the Staten Packing Co.

Mr. HENY. And paid about 150 cents on the dollar, too, did you not, of the par value of the stock?

Mr. ARMOUR. I do not know what the value of the stock was. I know we paid so much for it that the man who sold out was very glad to sell out.

Mr. HENY. Why is Spokane superior to California as a packing center?

Mr. ARMOUR. I do not know that it is.

Mr. HENY. You say you have not taken enough interest in California to go in there yet. Why go to Spokane?

Mr. ARMOUR. There are a lot of places we have not gone. We can not go everywhere.

Mr. HENY. Then it is not because you did not take sufficient interest, or did not think it of sufficient interest, to go into California, is it not?

Mr. ARMOUR. If you will tell me just what you are driving at, I will try to answer your question.

Mr. HENY. I am only driving at your answer, that you did not consider California of sufficient interest, as I understood you, from a business standpoint, to go in there.

Mr. ARMOUR. Yes, sir.

Mr. HENY. Whereas I draw the inference, to be perfectly frank that because Armour and Swift are in the Western Packing Co., that no one of you are going into the western country and compete with that company. Is not that the fact?

Mr. ARMOUR. No. Our interests in the Western Meat Co. are very small, very negligible, and personally—this is only personal with

Armour & Co.—whether we had any interest in that or not, that was an interest we inherited 25 years ago from my father, if we did not have any interest at all in this packing house you are speaking of—what is the name of it?

Mr. HENEY. The Western Meat Co.

Mr. ARMOUR. I doubt very much whether I would go to California. Our going there or staying away has nothing whatever to do with any little interest we may have in that packing house in California.

Mr. HENEY. The fact that you inherited that from your father is not anomolous, is it?

Mr. ARMOUR. No, not at all. It is just to this extent, that if I had not inherited it, I never would have bought any interest in California. That is what I think of California as a packing center. I may be wrong about it. That is why I emphasize the fact that I inherited it.

Mr. HENEY. Are there any more cattle raised in Oregon than in California?

Mr. ARMOUR. We would rather have a packing house in Oregon than in California. We may be wrong.

Mr. HENEY. Are there any more cattle raised in Oregon than in California?

Mr. ARMOUR. I do not think there are, right at the moment, but I think there will be. I think the future is better.

Mr. HENEY. Is Portland, Oreg., a better packing center to-day than San Francisco?

Mr. ARMOUR. I do not know. I do not think there is a great deal of difference.

Mr. HENEY. Is there not a great deal of difference in the volume of business done?

Mr. ARMOUR. I know so little about those two places that I do not think I could answer you intelligently. I really know very little about them.

Mr. HENEY. You did buy into Portland, Oreg., the Union Meat Co., of Portland, Oreg., within recent years, did you not?

Mr. ARMOUR. We have no interest there.

Mr. HENEY. You have no interest in the Union Meat Co.?

Mr. ARMOUR. No, sir.

Mr. HENEY. Do you mean to say that the stock held by Mr. Cheatham is not held in trust for you in the Union Meat Co.?

Mr. ARMOUR. No, sir.

Mr. HENEY. The Federal Trade Commission has positive information, apparently, to that effect.

Mr. MYER. You do not think that is fair, do you, Mr. Heney?

Mr. HENEY. I am only calling Mr. Armour's attention to it so that he can explain how that comes about.

Mr. ARMOUR. I will answer Mr. Heney. We did have an interest in the Union Meat Co. some years ago, and we sold that interest to Swift either two or three years ago.

Mr. HENEY. Did you sell that interest to Swift as a part of the arrangement under which Armour & Co. went into St. Paul?

Mr. ARMOUR. No, sir. We sold that interest to Swift, and we were very glad to sell it to Swift. It never did very well for us, and when we sold it to Swift there was no arrangement by which we sold it of any kind whatever, and we sold it just because I was very glad to

sell out and get the money we had in it out of it. There was no arrangement, directly or indirectly, on the sale of that stock that we had in the——

Mr. HENEY. Union Meat Co.?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Why did your stock in the Union Meat Co., when you did own it, not stand in the name of—did it stand in the names of a couple of Swift employees?

Mr. ARMOUR. I do not know that it did, but allowing that it did—I do not know that it did—but there was no significance at all, because everybody in Portland at that time, that time we had the ownership, knew that Armour was a comparatively small owner in the yard. There was no secret about it at all.

Mr. HENEY. If you think the future of Portland is so much better than that of San Francisco as a packing center, and the amount you had in there was very small, why did you dispose of it?

Mr. ARMOUR. Because I do not think much of either one of them.

Mr. HENEY. Have you considered going into Seattle?

Mr. ARMOUR. No, sir.

Mr. HENEY. Not at all?

Mr. ARMOUR. Not at all. As a packing point?

Mr. HENEY. Yes.

Mr. ARMOUR. Not at all.

Mr. HENEY. You do not know whether Mr. Arthur Meeker has, do you?

Mr. ARMOUR. He has not for Armour & Co.

Mr. HENEY. For Armour & Co.?

Mr. ARMOUR. He has not.

Mr. HENEY. I have some correspondence in mind between Meeker and Swift.

Mr. ARMOUR. I do not know. I presume he would have to get my consent before he went, and I certainly have had no idea at any time within the last 10 years of having an interest in Seattle, although, if I thought it was a good place, I certainly would see no reason for my not going there.

Mr. HENEY. Why did you think Spokane was such a good place, that you were willing to pay more than the value?

Mr. ARMOUR. We do not think we did pay more than it was worth. We have made money on Spokane since we have had it.

Mr. HENEY. So it is a good place?

Mr. ARMOUR. We think so, and I hope we are right.

Mr. HENEY. Do you not think Utah is a fairly good cattle country?

Mr. ARMOUR. Well, Mr. Henev, I am perfectly willing to answer your questions, and I want to; but I am not posted on all that western country.

Mr. HENEY. You are interested at Reno, Nev.?

Mr. ARMOUR. No, sir.

Mr. HENEY. The Western Meat Co., you know, owns a packing plant at Reno, Nev., do you not?

Mr. ARMOUR. No; I do not know that, although they may. I do not think they do.

Mr. HENEY. They own stock in it. Yes, they own it, the Nevada Packing Co. is what our records show.

Mr. ARMOUR. I do not think your records are right, if you will allow me to say so.

Mr. HENEY. What is your understanding of who owns it?

Mr. ARMOUR. I had not thought they owned it.

Mr. HENEY. Who do you think does own it?

Mr. ARMOUR. We do not own it.

Mr. HENEY. But you have some reason now for thinking that the Western Packing Co. does not. If the records of the Federal Trade Commission are wrong—

Mr. ARMOUR. I always thought Swift owned it, but I do not know.

Mr. HENEY. At the time you went into St. Paul, did Swift have any packing plant in Sioux City?

Mr. ARMOUR. No; I do not think they have any now.

Mr. HENEY. Has not the stockyards company acquired one?

Mr. ARMOUR. I have heard that, but whatever they may have there now, or whatever the stockyards have there now in the way of a packing house, I think is so small that anybody in the packing business would not consider it a packing house.

Mr. HENEY. Have not the plans been made to enlarge it?

Mr. ARMOUR. I do not know. You will have to ask Mr. Swift on that. I would like to know, though.

Mr. HENEY. Do you know anything about Herney at Sioux City?

Mr. ARMOUR. No, sir. I have heard the name at the other committee, I guess, but I never heard it before I heard it in the House committee.

Mr. HENEY. You do not know anything about the history of Herney, then?

Mr. ARMOUR. No, sir.

Mr. HENEY. Have you been in Sioux City at the stockyards personally?

Mr. ARMOUR. Oh, yes; many times, but not lately.

Mr. HENEY. The Herney plant was surrounded by the stockyards there?

Mr. ARMOUR. I may have seen it, but it did not mean anything to me at all. It did not stay with me at all. The name of it, if I heard it out there, would not mean anything at all.

Mr. HENEY. The stockyards had grown out around Herney's plant, and one of the alleys of the stockyards came right down and ran alongside of his fence.

Mr. ARMOUR. I read that testimony.

Mr. HENEY. And he wanted to get a gate in there and take his hogs that way instead of driving them a block down the street, where the teams and street cars were running, and could not get it.

Mr. ARMOUR. Yes.

Mr. HENEY. You would not think that sort of managing of the stockyards was calculated to give the independent a chance to compete on equal terms with the big packers, would you, if it is true?

Mr. ARMOUR. Of course, I do not know the particulars about that.

Mr. HENEY. I say, if that is true?

Mr. ARMOUR. I do not know anything about the particulars of it.

Senator KENYON. Has an independent plant been built in Sioux City recently?

Mr. ARMOUR. I think there is one building.

Senator KENYON. One now building?

Mr. ARMOUR. There is one now building.

Mr. HENNEY. By the stockyards company?

Mr. ARMOUR. No. Is it?

Mr. HENNEY. Another one?

Mr. ARMOUR. I did not know any was being built by the stockyards company. There is a plant being built out there now, I understand.

Senator KENYON. I understand there is. Is that an independent plant or not?

Mr. ARMOUR. We have no interest in it, if that is what you mean.

Senator KENYON. None of the packers have any interest in it?

Mr. ARMOUR. I do not think they have; not to my knowledge.

Mr. HENNEY. I think they have, Senator, and I think we can show it from the records of the Federal Trade Commission.

Mr. ARMOUR. We have not any interest in it, Mr. Henney.

Mr. HENNEY. I know that, Mr. Armour. But the point we contend is that at the time you went into St. Paul there was an understanding that Swift would offset your entry into St. Paul by his entry into Sioux City.

Mr. ARMOUR. Do you want me to answer that?

Mr. HENNEY. Yes.

Mr. ARMOUR. I would be very glad to. There was no understanding, directly or indirectly. In the first place, the first I knew that Swift had this interest you speak of in that Herney—is that the name of the company?

Mr. HENNEY. Yes; the Herney plant, that they acquired after he died.

Mr. ARMOUR. Was when I heard of it through the Federal Trade Commission. Swift has a perfect right—no greater right or no less a right—to go to Sioux City to-day or any other day; and our going to St. Paul had nothing and has nothing to do with Swift going to Sioux City if he desires to. Do I answer it emphatically enough?

Mr. HENNEY. Yes; certainly.

Mr. ARMOUR. Plainly enough?

Mr. HENNEY. Yes. Your contention is that it is a mere coincidence!

Mr. ARMOUR. Yes. I did not know he was getting plans out, as I said, for a plant at Sioux City. I did not know that Swift was getting plans, and this plant, whatever it is, does not amount to anything.

Mr. HENNEY. At the time you went to St. Paul, before finally accepting the proposition of the chamber of commerce to give you \$500,000 in cash if you would go there—that was their proposition, was it not?

Mr. ARMOUR. Yes.

Mr. HENNEY. Did you consult with Swift & Co. about that before determining to go?

Mr. ARMOUR. No; we did not. If you would like to have the history of our going to St. Paul, I would be glad to give it to you.

Mr. HENNEY. All right.

Mr. ARMOUR. We bought some land in St. Paul a good many years ago with an idea of going to St. Paul, and this piece of land was between Minneapolis and St. Paul, and we were going to build on it;

and the city of Minneapolis and the city of St. Paul got into such an awful row about our going there that we decided not to go there, because if we went there we would have everybody mad.

Senator KENYON. Was there a row about the location?

Mr. ARMOUR. Yes, sir. We own land now in St. Paul, or it is half way between St. Paul and Minneapolis; and we still own the land; and we had an idea of building there, and when we started to build or when we decided to build and gave it out that we were going to build, St. Paul and Minneapolis got into a most awful row, and we were right in between, and the names they did not call us have not been used by the Federal Trade Commission.

Senator KENYON. Did not Swift & Co. have the yards at St. Paul at that time?

Mr. MEYER. Let Mr. Armour finish.

Senator KENYON. I will.

Mr. ARMOUR. Yes, sir; they had the yards.

Mr. MEYER. Go on and tell your story.

Mr. ARMOUR. So we decided not to locate there, because we never had such a disagreeable time since I was with Armour & Co. So I told the people up there—the Minneapolis people were our friends and the St. Paul people were not our friends—and they made it so disagreeable for us that we decided that we could not go up there and stand the criticism, and be a party to creating the unfriendliness that this project seemed to create between the two cities. So we abandoned it, and we still have the land, we still own the land there now. That was perhaps eight or nine years ago. Then, some time ago, before we located in St. Paul, we were visited by Mr. Gordon, of Ferguson & Gordon, whom you may know; I think you do know him.

Mr. HENNEY. Yes; I think I met him up there in St. Paul.

Mr. ARMOUR. He is a very active man in St. Paul.

Mr. HENNEY. A banker?

Mr. ARMOUR. No; he is in the fur business.

Mr. HENNEY. Oh, yes.

Mr. ARMOUR. But he is a very active man in getting industries to St. Paul, and he visited down to Chicago several times and saw me and asked me what they had to do to get us to go to St. Paul—they were very anxious to have us go to St. Paul—although it was not an open question at that time. But they were always afraid we might perhaps go and use the land we had.

Senator KENYON. Do you expect to get through to-day, if you spend as much time as this on all these questions?

Mr. ARMOUR. I did not desire to spend all this time. I am perfectly willing to quit now, Senator.

Senator KENYON. I thought we had gone into that.

Mr. ARMOUR. But if I am asked questions I have to answer them.

Mr. HENNEY. There are certain things I would like to bring out in regard to that while we are on the subject.

Senator KENYON. I did not mean it as a criticism, but I want to hear Mr. Meyer some time to-day.

Mr. ARMOUR. I want to go home at 12.30, and perhaps my explanation was long; but I am trying to do the best I can. If he

Mr. ARMOUR. Mr. Heney, when we talked to Mr. Gordon, we made it a part of the trade that we would get the stock in the stockyards, and we would be permitted to buy so much stock in the stockyards bank, which, if we had not made that a part of the trade, we would not have got.

Mr. HENY. And Swift owned that stock, he was the only one who had enough stock to sell it to you; was not that so?

Mr. ARMOUR. I assume that he did: yes. But I guess he would not have sold it to us if we had not made it a part of the trade.

Mr. HENY. Is the stockyard bank earnings very good dividends, good profits?

Mr. ARMOUR. I think so, like every other bank in the country nowadays.

Mr. HENY. At how many points do you own stock in stockyard banks?

Mr. ARMOUR. At nearly all of the points where we have interest in the yards.

Mr. HENY. And wherever you have a plant, or only where you have an interest in the yards?

Mr. ARMOUR. Wherever we have a plant, I say, with the exception of perhaps Kansas City.

Mr. HENY. In Kansas City you are a large owner personally in the street-car system, are you not?

Mr. ARMOUR. Yes; I am; I would like to sell it to you, too, if you would buy it.

Mr. HENY. I do not want it. In north Kansas City did you and Swift acquire land for the purpose of establishing stockyards?

Mr. ARMOUR. I would hardly say that we acquired it; I do not know that we did. We acquired a lot of land there.

Mr. HENY. At the time you acquired that land, did you not contemplate—

Mr. ARMOUR (interrupting). I think we did have that in mind; yes.

Mr. HENY. Establishing stockyards over on that side?

Mr. ARMOUR. Yes, sir; I think we did have that in mind.

Mr. HENY. Morris did not have any interest in that land over there, did he?

Mr. ARMOUR. No, sir.

Mr. HENY. And was it not partly by reason of that fact that Morris took up the question of the reorganization of the Kansas City stockyards with Thayer about the time that Prince was organizing this Maine company for the Chicago stockyards?

Mr. ARMOUR. I do not see how that could have anything to do with it, and I do not think it did.

Mr. HENY. Morris did go in and get the control of the Kansas City stockyards?

Mr. ARMOUR. Yes, sir.

Mr. HENY. That was only in 1913?

Mr. ARMOUR. Yes; but I think the fact of our owning land there would naturally deter him from doing that, rather than be any reason for his doing that.

Mr. HENY. That is, if he thought you people were going to start stockyards over on the other side?

Mr. ARMOUR. Increased receipts.

Mr. HENNEY. And to Armour & Co. increased earnings?

Mr. ARMOUR. Naturally, if we owned the stock in the stockyards.

Mr. HENNEY. And if you increased the stock of the stockyards to half a million dollars without any more of money being put into the stockyards, that meant that the rates had to be kept up in order to earn the dividends upon that additional amount of stock, did it not?

Mr. ARMOUR. I think Armour & Co. would draw enough more stock to those yards to provide that dividend without any increased rates.

Mr. HENNEY. It would be much more difficult to decrease the rates, would it not?

Mr. ARMOUR. I do not think so, because they were all fixed. They had a business there before Armour & Co. went there. Armour & Co. coming there would increase the business, I think.

Mr. HENNEY. Those rates are practically the same as in Chicago?

Mr. ARMOUR. All over; yes, sir.

Mr. HENNEY. And those have been in existence for more than 30 years?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And every one of these stockyards has been earning enormous profits, has it not, in the big stockyard centers?

Mr. ARMOUR. Of course, that varies according to the amount of stock that comes.

Mr. HENNEY. But they have all been earning it, have they not?

Mr. ARMOUR. They have been earning good money.

Mr. HENNEY. If they did not keep increasing their capital stock, so that the dividends would not appear to be at too high a rate, could they not reduce these yardage charges?

Mr. ARMOUR. No; they could not reduce the yardage charges and take care of the increased business, by reason of expenditures of money, and the yardage charges are the same as they were 30 years ago, and I do not think that the profits of the stockyards are unequal to the service that they give.

Mr. MAYER. Mr. Chairman, may I ask the witness to state what those charges are—or are they already in the record?

Mr. HENNEY. I am coming back to that question again.

Senator NORRIS. Mr. Armour, of this bonus you got there, did you give any of it to Swift?

Mr. ARMOUR. No, sir.

Mr. HENNEY. You bought the stock in the bank from Swift, did you not, in the stockyards bank?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And paid him \$250,000 for it, did you not?

Mr. ARMOUR. I do not know what we paid him. We paid him the market price for it.

Mr. HENNEY. That was half of the \$500,000 cash that was contributed, was it not? It is immaterial whether you took it out of the cash that the Chamber of Commerce gave you, or whether you took it out of your own cash, you gave a \$250,000 check to Swift for stock in the stockyards bank at that time, as a part of that transaction of your going into St. Paul, did you not?

Mr. ARMOUR. Mr. Heney, when we talked to Mr. Gordon, we made it a part of the trade that we would get the stock in the stockyards, and we would be permitted to buy so much stock in the stockyards bank, which, if we had not made that a part of the trade, we would not have got.

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Mr. HENNEY. That was only in 1913?

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Mr. HENNEY. That is, if he thought you people were going to start stockyards over on the other side?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. That would depend on whether he could keep Wilson and Cudahy with him in Kansas City, and let you and Swift go and see whether you could start an opposition on the north side, would it not?

Mr. ARMOUR. I presume so; yes.

Mr. HENNEY. You do not know whether he had any understanding with Cudahy or Wilson or S. & F.?

Mr. ARMOUR. I do not know, Mr. Henney. I know that he did not with us.

Mr. HENNEY. This land over in north Kansas City is about 7,000 acres, is it not?

Mr. ARMOUR. Yes; I think it is more than that.

Mr. HENNEY. And the Burlington road has become interested with you, has it not?

Mr. ARMOUR. Yes; they bought an interest in it many years ago.

Mr. HENNEY. What is the theory of that, having a terminal railroad?

Mr. ARMOUR. We hoped that when the Burlington road bought that interest they would use a bridge that we built there. We built a bridge across the river, at great expense, and the Burlington's bridge at that time was very poor, and they either had to build a new bridge or spend a lot of money in repairing the bridge. I do not think they have built a new bridge. They probably repaired their old bridge, and when we sold them an interest in the north Kansas City land, we hoped that they would find it to their interest to use the bridge. We spent a great deal of money in building a very fine bridge there. You perhaps have seen it; I do not know.

Mr. HENNEY. Are you running a street car over it?

Mr. ARMOUR. Yes, sir; that was the reason for getting the Burlington road there. But we never succeeded in getting them to use the bridge.

Mr. HENNEY. And you have never gone over there and established stockyards?

Mr. ARMOUR. No, sir.

Mr. HENNEY. You were not thinking of going over there to establish stockyards because the service was so poor at the Kansas City stockyards, were you?

Mr. ARMOUR. No.

Mr. HENNEY. What was the idea of going over there?

Mr. ARMOUR. I presume the idea was to go over there and establish a city, and build a modern packing house, and establish a town alongside of it where the men could live, and if we had the courage and money to have done it, it would probably have been a good thing. But we did not have either.

Mr. HENNEY. The object was profit and you finally concluded that the risk was a little bit greater than warranted the investment?

Mr. ARMOUR. No; I do not think that there would have been a great deal of risk about it. I think it would have been a good thing.

Mr. HENNEY. But you just did not get around to it?

Mr. ARMOUR. Yes.

Mr. HENNEY. And so, in consequence of that, you are still in the Kansas City yards, with its bad service?

Mr. ARMOUR. We are there; yes.

Mr. HENY. It has bad service, has it not?

Mr. ARMOUR. I do not know; I guess, perhaps. I have heard so; I do not know.

Mr. HENY. At Sioux City Mr. Swift has made the same mistake that you made at Kansas City; he owns the street car lines?

Mr. ARMOUR. He owns an interest in them; yes.

Mr. HENY. He controls them; does he not?

Mr. ARMOUR. No; we run them. We own some of them, too.

Mr. HENY. Armour & Co.?

Mr. ARMOUR. Yes.

Mr. HENY. Individually, or the corporation?

Mr. ARMOUR. Individually; and we run them.

Mr. HENY. Separate lines from those Swift has?

Mr. ARMOUR. No; the same ones.

Mr. HENY. Swift and Armour are jointly interested in the Sioux City street car lines?

Mr. ARMOUR. You can hardly say jointly. He has an interest there and we have, too.

Mr. HENY. He is a large stockholder, and you are a large stockholder?

Mr. ARMOUR. Yes, sir.

Mr. HENY. And you two together are the largest stockholders?

Mr. ARMOUR. I do not know as to that.

Mr. HENY. You control it?

Mr. ARMOUR. I would assume perhaps that may be true. He has an interest in it.

Mr. HENY. You and Swift and Morris went jointly into the cottonseed oil plant business in 1902, about the time—

Mr. ARMOUR (interrupting). Of the merger?

Mr. HENY. Yes.

Mr. ARMOUR. Yes, sir.

Mr. HENY. You had large plants in Texas, Tennessee and Oklahoma?

Mr. ARMOUR. Yes.

Mr. HENY. Originally, when you acquired those plants they were put in the name of a corporation, were they not?

Mr. ARMOUR. I think so; yes.

Mr. HENY. In what proportion did you own the stock in the corporation—the three?

Mr. ARMOUR. I do not remember; but I think it is a matter of record.

Mr. HENY. Was it about the same as what you owned in the National Packing Corporation afterwards?

Mr. ARMOUR. I think so.

Mr. HENY. Subsequently you took them out of the corporation and put them in the name of an individual, did you not—Louis C. Ehle?

Mr. ARMOUR. Yes, sir.

Mr. HENY. At the time that was done, was that because of the activities of the Government in investigating violations of the Sherman antitrust law?

Mr. ARMOUR. I do not know why that was done; I really do not know why it was done.

Mr. HENEY. Done on the advice of attorneys, anyhow?

Mr. ARMOUR. I assume it was; I do not know. It was comparatively a small matter.

Mr. HENEY. What was the total investment?

Mr. ARMOUR. I do not remember.

Mr. HENEY. It went way into the millions, did it not?

Mr. ARMOUR. Oh, no.

Mr. HENEY. Two or three millions?

Mr. ARMOUR. I do not think so. I would not think so at all.

Mr. HENEY. Half a million?

Mr. ARMOUR. I do not know, but I would not think it was very great.

Mr. HENEY. It gradually got up?

Mr. ARMOUR. No; I think not. I do not think it was very large. When I say "large things," I mean large things as our wants demand.

Mr. HENEY. I appreciate the fact that you are speaking from your viewpoint.

Mr. ARMOUR. No; I do not think so, Mr. Heney.

Mr. HENEY. You acquired more plants later on, and they were held the same way? In 1907 you acquired some?

Mr. ARMOUR. I do not know what date it was, but there may have been one or two plants acquired, and then, after that, any that were acquired were acquired individually.

Mr. HENEY. That is to say, subsequent to the plants being put in Ehle's name, Armour did acquire individually some cottonseed plants?

Mr. ARMOUR. We acquired one at East St. Louis.

Mr. HENEY. And Swift and Morris acquired some others, did they not?

Mr. ARMOUR. I think they did; but I do not know as to that.

Mr. HENEY. At the time you originally acquired these, was it the intention that the cottonseed-oil plants were to be turned over to this merger corporation?

Mr. ARMOUR. I think it was; yes.

Mr. HENEY. And was the object in acquiring them to have more or less interest in lard-compound products?

Mr. ARMOUR. Ever since the packing business has been a business, people have been in the lard-compound business.

Mr. HENEY. Was it the idea that lard compound made from cottonseed oil was in competition with some of the packing-plant products?

Mr. ARMOUR. No; I would hardly say it was in competition, but it is an article that is used greatly by the same trade that we sell lard to.

Mr. HENEY. It is used as a substitute for lard, is it not?

Mr. ARMOUR. I think so; to that extent probably it is; but you know there are other people besides the packers who are very large producers of lard compound.

Mr. HENEY. Did you acquire that interest in those cottonseed-oil plants for Armour & Co. or as an individual?

Mr. ARMOUR. I can not answer that question; I assume it was for Armour & Co., but I can not answer. The records will show that.

Mr. HENEY. There were several accounts carried on the books of Armour & Co., under the heading of "J. Ogden Armour, No. 1"; "J. Ogden Armour, No. 2"; "J. Ogden Armour, No. 8"; "J. Ogden Armour, No. 4"; "J. Ogden Armour, No. 5"?

Mr. ARMOUR. I do not know whether that was one of those accounts of the—

Mr. HENEY (interrupting). It was.

Mr. ARMOUR. Then that is correct.

Mr. HENEY. Those plants were held jointly until 1916, and then divided up among Armour, Swift, and Morris?

Mr. ARMOUR. If that is the year.

Mr. HENEY. About 1916.

Mr. ARMOUR. Yes.

Mr. HENEY. That is my recollection of the year; I am not quite certain. It appears from some percentage sheets taken from the office of Mr. Veeder that there was an oleo pool, and that there was a joint fund for legislative and litigation purposes, general purposes, and that in 1917 it was collected and expended on the following percentages, with the following people in it:

A (meaning Armour & Co.)	12.387
F (meaning the Friedman Manufacturing Co.)	6.246
J (meaning the John F. Jelke Co.)	32.172
M (meaning Morris & Co.)	10.481
W J M (meaning W. J. Moxley, Inc.)	11.563
W (meaning Wilson & Co., Inc.)	4.265
H (meaning G. H. Hammond & Co.)	3.652
S (meaning Swift & Co.)	19.234

Do you personally know anything about that?

Mr. ARMOUR. There never was an oleo pool, Mr. Heney.

Mr. HENEY. Leaving out the word "pool"?

Mr. ARMOUR. You used the word "pool." I did not know anything about those percentage figures. But there never was an oleo pool. I know—at least I have heard—what will I say?

Mr. HENEY. Arrangement, that they would stand expenses?

Mr. ARMOUR. That is the word that I was looking for, an arrangement. I do not personally know of that arrangement, but I would say that that arrangement was based on the volume of business done by the different people. But I will say, and most emphatically, that there never was an oleo pool.

Mr. HENEY. And by "pool" you mean that they did not agree on selling, and dividing up the territory, and so on?

Mr. ARMOUR. The general use of that term.

Mr. MAYER. Mr. Heney put the question about expenses, did you use the word "expenses"—contribute to the expenses?

Mr. HENEY. There was a fund for paying any litigation expenses in which you felt an interest?

Mr. ARMOUR. That we were compelled to have, that we ran against, that is it.

Mr. HENEY. If you felt there was some adverse legislation you wanted to oppose, or some favorable legislation you thought ought to be passed, is that it?

Mr. ARMOUR. Yes; Mr. Heney.

Mr. HENEY. The Friedman Manufacturing Co. is an Armour concern, is it not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. Is W. J. Moxley (Inc.), an independent concern?

Mr. ARMOUR. That and the Jelke are independent concerns.

Mr. HENEY. And the G. H. Hammond Co.?

Mr. ARMOUR. That is a Swift concern.

Mr. HENEY. Alfred R. Urion was the general counsel of Armour & Co. at one time, was he not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. A letter written by A. R. Urion, which the Federal Trade Commission has a copy of in its possession, contains this statement:

I give you the following information to be disseminated amongst those who are associated with us in Pennsylvania oleomargarine. The source of my report you are familiar with. I give you data on the subject, received Saturday. Have been given positive assurance by the big man that there will not be any suits brought in this case during the time named on the tinted goods, provided that they are not too yellow. That is to say, you must not go to extremes in color, but that regular run of tinted goods will be all right.

The wholesalers and manufacturers should not go further in spreading the understanding than simply notify their trade verbally that no suits will be brought, and that there will be no trouble in their handling naturally tinted goods.

It does not give the full letter here, and it does not give the date. I have seen the letter, but I do not recall the date myself.

Mr. MAYER. It must have been a number of years ago, because Charles J. Faulkner, jr., a son of ex-United States Senator Faulkner, of West Virginia, has been general counsel of the company for some years, I do not know how many. It must have been back of that.

Mr. HENEY. My impression is that it was in 1916, but it might have been earlier. I have got a strong impression that it was not earlier than 1916. Is there anyone here from the Federal Trade Commission who knows what the date of that letter is?

(There being no response.)

The letter continues:

I have gone back to party by letter and asked to get a definite statement from big man calling off the State agents, from taking samples and frightening the trade and have no doubt will receive a favorable answer thereto.

I will ask the Federal Trade Commission to supply the committee with the letter itself, so that you will have the letter, and the date, and to whom it is addressed.

The CHAIRMAN. Was there any evidence to indicate who the big man was?

Mr. HENEY. No, Senator. I do not think that was followed up.

The CHAIRMAN. It is calculated to excite a good deal of jealousy and rivalry among some people.

Senator NORRIS. Why not ask Mr. Armour about it?

Mr. HENEY. I am just about to ask him if he knows anything about it. Do you know anything about that, Mr. Armour?

Mr. ARMOUR. No, sir; I never heard of the letter, and never heard of a big man in Pennsylvania. [Laughter.] I guess that does not sound very well, Mr. Heney, and I would like to say "that big man" instead of "a big man." I did not mean to be facetious.

Mr. HENEY. In other words, you mean you do not know who is referred to by "a big man" in this letter?

Mr. ARMOUR. Yes; I never saw the letter.

Mr. HENEY. And you do not recall having any conversation with Mr. Urion on the matter?

Mr. ARMOUR. No, sir.

Mr. HENEY. Who looks after the oleomargarine at your firm? Who is the head man on that?

Mr. ARMOUR. Mr. Kamsler.

Mr. HENEY. Do you remember his initials?

Mr. ARMOUR. Henry Kamsler.

Mr. HENEY. He would be the man who would keep in touch with matters of sales of oleomargarine in the different States, would he?

Mr. ARMOUR. Yes, sir; he runs the department.

Senator NORRIS. To whom was that letter written?

Mr. HENEY. That I do not know. I will get a copy of this letter. But I have forgotten.

Senator NORRIS. By whom was it written?

Mr. HENEY. By Alfred R. Urion, who was at the time he wrote it the general counsel for Armour & Co. This refers to "regular tinted goods." Mr. Armour, is the oleomargarine that the big packers make, or that Armour & Co. makes, naturally tinted by reason of the character of some of the fats that are put in it?

Mr. ARMOUR. Yes; it has a certain tint from the oleo oil, and it has a greater tint at one season of the year than at another. In the spring of the year the oil we get gives it a greater tint than the oil at other seasons of the year—the spring and the summer.

Mr. HENEY. Is it possible to give it a little more tint than it ordinarily would have by putting in a larger quantity of certain kinds of fat?

Mr. ARMOUR. It is made from oleo fat.

Mr. HENEY. Kidney fat, for instance?

Mr. ARMOUR. It might; it would vary to a slight degree, I should think.

Mr. HENEY. Does that which is made by the Jelke Co. average whiter than that made by Armour & Co.?

Mr. ARMOUR. Jelke, I understand, has always made a white oleomargarine.

Mr. HENEY. Pure white?

Mr. ARMOUR. Yes; what we call a white.

Mr. HENEY. It has no tint?

Mr. ARMOUR. It has no tint.

Mr. HENEY. I understand that this Federal law about the tax on the tinted applied only to artificial coloring?

Mr. ARMOUR. Artificial coloring.

Mr. HENEY. So that if it has the tint from the natural fats, it does not apply?

Mr. ARMOUR. I understand not.

The CHAIRMAN. Let me ask a question there. Is there not enough of the kidney fat, or other natural coloring, to color the whole output of oleomargarine in the country?

Mr. ARMOUR. I can not answer that offhand. I would not think there was.

Mr. HENEY. So that by not selling the kidney fat to any of the independent makers, the five big packers would be the only ones who would be able to turn out an oleomargarine that had a tint to it, without artificial coloring? Is that correct?

Mr. ARMOUR. That might be correct if they did not sell it. I do not know whether it would be wholly correct or not. I do not believe it would, because I think perhaps they could get fat at other places, other than the big packers. But, of course, the tint they get from that is not a very strong tint. Do you follow me?

Mr. HENNEY. Yes.

Mr. ARMOUR. From the use of that, it is not a very strong tint. It always has a whitish color.

Mr. HENNEY. Butter varies very much in tint also?

Mr. ARMOUR. Yes. I am not very close to our oleomargarine business. I understand that oleomargarine now, generally speaking, is turned out pretty white. You can sell it that way.

Senator GRONNA. Would it improve oleomargarine, so far as the food value is concerned, Mr. Armour, if you could use more kidney fat?

Mr. ARMOUR. I think the more you use the better it is; yes.

Mr. HENNEY. Mr. Armour, on page 29 of the summary of the report of the Federal Trade Commission on the meat packing industry, there is a letter set forth, dated June 21, 1911, from E. A. Cudahy to M. R. Murphy, which reads as follows:

Mr. M. R. MURPHY.

South Omaha, Nebr.

DEAR SIR: Referring to the attached papers. Mr. McNaughton advised me that he learned from one of Morris & Co.'s men that there was considerable talk about the Kansas City stockyard that we sold out to the rendering company. Of course we can't stop the rumors, but all we have to do is to just keep quiet and let them do the talking. I think we are justified in quitting business on account of the position that the commission men have taken.

When I was coming to Chicago on Monday night, Mr. R. C. Howe was on the train, and he called to see me at this office, and from what he said I don't see anything for us to do only to secure our 30 per cent of the hogs at South Omaha, unless we want to take 29 per cent and let Swift run 26 per cent.

I expect our Omaha and Sioux City market will be out of line for some time if we are going to maintain our position. I don't see anything else for us to do. The Omaha market seems to be the only point in question, and I think we ought to figure on keeping the Sioux City market on an independent basis.

I will be in Omaha Friday morning.

Yours, very truly,

E. A. CUDAHY.

At Omaha Armour & Co. were aiming to buy 30 per cent of the hogs, was it not?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And Swift 30 per cent?

Mr. ARMOUR. I do not think Swift does quite as much business in Omaha as we do.

Mr. HENNEY. Swift is 25 per cent, yes; I have that here.

Mr. ARMOUR. Yes.

Mr. HENNEY. And the 30 per cent was Morris, was it?

Mr. ARMOUR. Cudahy.

Mr. HENNEY. Cudahy, yes; that is it. That would be about it, would it?

Mr. ARMOUR. I have not the figures in my mind, but that may be the amount of business they were entitled to there.

Mr. HENNEY. Well, Armour was 30 per cent?

Mr. ARMOUR. Yes.

Mr. HENEY. And Cudahy's was 30? Or do you recall that?

Mr. ARMOUR. I do not recall what they were.

Mr. HENEY. You know Swift's was less than Armour's?

Mr. ARMOUR. I know Swift did less business there than we did.

Mr. HENEY. Who is Mr. R. P. Howe? Was he an Armour man?

Mr. ARMOUR. He runs our Omaha house; he is general manager of our Omaha house.

Mr. HENEY. Well, now, Mr. Murphy got another letter from Mr. E. A. Cudahy, written from Chicago, dated November 27, 1911, in which he said:

Mr. M. R. MURPHY, *South Omaha, Nebr.*

DEAR SIR: I had a call from your neighbor to-day, and he agrees that we are paying too much money for hogs at Omaha and Sioux City, and that if we could get Omaha right, of course, it would regulate Sioux City, and he believes the best plan would be to let other people have what they want, and then split what is left. I believe in this plan, and I would advise you to work on it for this week, and I would suggest that you either call him on the phone or see him some time to-morrow and talk the matter over. We are killing a lot of hogs, and there isn't anything in them, and it is about time that we should be able to buy them at a margin.

Yours truly,

E. A. CUDAHY.

By "Your neighbor" there it appears to me as if he means Armour—from reading these two letters.

Mr. ARMOUR. Of course I do not know Mr. Heney.

Mr. HENEY. If that did occur and it was Armour & Co., it might likely not have come to your attention? Is that right?

Mr. ARMOUR. It never did come, and in fact it would be quite unlikely to have come to my attention.

I assume from those letters, Mr. Heney, that the Omaha market was out of line—what we call out of line; you know as well as I do what we mean by "out of line." Naturally when a market is out of line we do just the same as any other good business men would try to do, we try to get that market in line.

The CHAIRMAN. You mean it is out of line up or down, either way?

Mr. ARMOUR. Yes, sir; either way.

Mr. HENEY. And you get it in line with Chicago?

Mr. ARMOUR. Yes, sir. That is a natural thing; it would not help but happen in the live stock business or any other business. It would be to our interest to get it in line; that would be quite the natural thing to do, Mr. Heney.

Senator NORRIS. In doing that, in getting it in line as you call it, do you not think you would be interfering somewhat with the law of supply and demand, and would not that interfere with open, free competition?

Mr. HENEY. When you say "open, free competition," I suppose theoretically it would, but there is not any market, Omaha or any other market, that could be out of line very long. All the hogs eventually would go to Omaha, and instead of staying out of line it would be glutted with hogs sooner or later, because they would naturally go to the high point as far as possible.

Mr. MAYER. What would be the result of that?

Mr. ARMOUR. I think it would result against the commission men or against the live-stock growers; because while he would tempor-

rily have an advantage while Omaha was higher than the other markets, his temporary advantage would not probably be as great as his disadvantage would be, because the number of hogs that go there in order to make it out of line would be restricted, and that was probably the reason it was out of line.

The CHAIRMAN. The tendency would be then to put the price down at Omaha and to put it up at the other markets from which these supplies were withdrawn?

Mr. ARMOUR. I cannot explain it to you, but I feel that I know it. I probably have not the words to explain.

The CHAIRMAN. I think you make it very clear.

Mr. ARMOUR. It is just like water. With the demands and all, there might be a temporary high price at one place. If that lasted any place it would draw such a glut to that market that any advantage the fellow would have would be more than offset by the glut, and it would disturb the equilibrium of the markets. Now, all the markets have got to be on a common basis, and regardless of Armour or anybody else, they are on a common basis. I do not mean they may not be out of line one week, but, generally speaking, they are on a common basis.

Mr. HENEX. You think it operates like water to use your illustration, as if there were open conduits running to all these places filled with water, and that water seeks its own level, and no matter how much you crowd in at one place it is going to back around and go to the other place eventually?

Mr. ARMOUR. I think so, Mr. Heney; that has been the practical experience that we have had.

Mr. HENEX. The natural law would be bound to operate that way to some extent, there is no doubt about it.

Mr. ARMOUR. I think so.

The CHAIRMAN. Even if the big buyers did have an understanding at any place to withhold their purchases, the tendency would be for it to go down. Of course, the relaxation in the demand would put the price down?

Mr. HENEX. Now, on this question of cheese, the Federal Trade Commission's report of July 3, 1918, has on page 35 some letters purporting to be from the C. E. Blodgett Cheese, Butter & Egg Co. to Mr. I. F. Laing, of the Neenah Co. Both of these concerns are Armour concerns, are they not—C. E. Blodgett and the Neenah Co.?

Mr. ARMOUR. I think so.

Mr. HENEX. In one of these letters Mr. Blodgett says to Mr. Laing:

You and I both know that there are enough twins (a form of American cheese) in storage in the United States, if England does not come back and buy of us, to last for the next two years to come.

This was in 1916. Do you recall as to whether that was the situation, Mr. Armour, or did you know enough about the cheese market at that time?

Mr. ARMOUR. No; as I think I told you last week, I hardly know anything about that department.

Mr. HENEX. Do you know whether or not that department does take up the matter of holding down prices when they are buying

cheese for storage with Swift & Co., and keeping the market the way they think it ought to be?

Mr. ARMOUR. I know they do not. At least, I know they did not to the extent they have had orders not to, and I do not believe they did.

Mr. HENY. On June 30, 1916, J. W. Brown, manager of the butter, egg, and poultry department of Armour & Co.—he was manager then?

Mr. ARMOUR. Yes, sir; he is yet.

Mr. HENY. He wrote to I. F. Laing, of the Neenah Co., saying:

Your Mr. Nesbit at Spring Green raised the market to enforce 14½ on cheese. Don't you think this is very bad work? How do you expect we can influence the people at Plymouth (the principal cheese board) to hold the market at 14½ cents if you raise the figures? Wish you would tell this gentleman that he must not do this, because our interests elsewhere are so great that we cannot afford to raise the market on ourselves, and Plymouth will certainly go up if you bid over the Plymouth prices on other boards. They all seem to be worked up about this.

Now, at that time, in 1916, Armour & Co. was acquiring and storing cheese in rather large quantities in the expectation of selling it to England, was it not?

Mr. ARMOUR. I do not know, Mr. Heney; it is quite likely that they were; but I do not know.

(The committee thereupon took a recess until 1.30 o'clock p. m.)

AFTER RECESS.

The committee met at 1.30 p. m., pursuant to the taking of a recess.

Mr. HENY. Mr. Armour, are you the largest stockholder in the Continental & Commercial Trust & Savings Co.?

Mr. ARMOUR. I think our family is; I do not know that I am individually.

Mr. HENY. And the Continental & Commercial Trust & Savings, at the time of the organization of Wilson & Co., or the change of name to Wilson & Co., and the issue of stock, was allowed to have 6,983 shares of that stock, it and the Illinois Trust & Savings Co. together, at \$10 a share, were they not?

Mr. ARMOUR. Well, if the figures are right, that is correct.

Mr. HENY. Who is the largest stockholder in the Illinois Trust & Savings Co.?

Mr. ARMOUR. I guess Mr. John J. Mitchell is; I guess that; I do not know.

Mr. HENY. Is that a Chicago bank?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Do you know in what proportion these holdings were had of that stock?

Mr. ARMOUR. No; I rather think they were taken equally; I do not know—or, perhaps, the Continental got a little more, perhaps than the other company.

Mr. HENY. Of course, the stock on the market was put out at \$50 a share and more by the bankers in New York who had the stock!

Mr. ARMOUR. No; I think not. I do not know.

Mr. HENEX. There was a contract, first—

Mr. ARMOUR (interposing). There was an underwriter's contract, as is customary, but I do not know what the price was, I do not recall it.

Mr. HENEX. Well, the Continental & Commercial Trust & Savings Bank—there is a letter from Mr. Croll, dated March 17, appearing on page 204 of the Federal Trade Commission's report, part 2, reading as follows:

MARCH 17, 1917.

Mr. JOHN B. ABBOTT,

Vice President, Continental Trust & Savings Bank, Chicago, Ill.

My DEAR Mr. ABBOTT: Some time ago I told you that Mr. Armour's advice was not to sell the Wilson & Co. stock at the present time. I spoke to him again to-day about the matter, and he said that he did not wish to give you any instructions as to what you should do, but his idea was that it would not be good policy to sell it, as he figures that it will be worth more. I am writing this to you to put his position before you correctly, inasmuch as I delivered his first message to you.

Very truly, yours,

F. W. CROLL.

Do you recall that that was your advice on that subject?

Mr. ARMOUR. Yes, I believe it was.

Mr. HENEX. So that when you said you had no interest in the stock of Wilson & Co., you meant personally you had no interest in it?

Mr. ARMOUR. Yes, sir.

Mr. HENEX. You had an indirect interest through the Continental & Commercial Trust & Savings Bank?

Mr. ARMOUR. Naturally, yes. I think they took that as part of the underwriting that was distributed in Chicago.

Mr. MAYER. May I interrupt for a moment? I think they have sold that stock. I think so.

Mr. HENEX. In the testimony of Mr. Phil Armour—what are his initials?

Mr. ARMOUR. P. D. Armour.

Mr. HENEX (continuing). It appears on page 458 of the Senate report—the report of that special committee of which Mr. Vest was chairman, volume 3, of 1889 and 1890, Senate committee report, as follows:

Was there not an agreement made between the hog packers in Chicago in 1886—A. I think the Interstate Commerce Commission records show that there was a pool among the hog packers; that they paid in 25 cents a hog for killing hogs.

Q. Did you have anything to do with that?—A. Yes, sir.

Q. You were one of the 18 men? There were 18 of them?—A. Yes, sir; I was interested in it at the time; but that had nothing to do with prices nor the quantity that any one killed. However, that is a matter of record.

Q. There is no record as to who were in that pool. I do not know whether you were a party or not.—A. I admit being in it myself.

Q. Under that arrangement so much was allowed to each establishment as a limit for their killing, was there not?—A. Not at all. We paid in 25 cents a hog for the privilege of killing the hogs.

Q. If they killed over a certain amount they were paid that much?—A. For all the hogs we killed, the interest we had in the pool we drew back for whatever hogs were allowed to us. For instance, it was on our capacity.

Q. You referred to the Interstate Commerce Commission. Is this correct? The witness, Mr. Haightley, is asked:

Q. What year was this combination made?—A. In 1886. We got together and agreed amongst ourselves to raise a fund. I forget just what the amount of the fund was that was raised now, but the first assessment was \$5,000;

and every employer of labor engaged in both the beef and pork packing business agreed not to employ a man unless he went back to the time and wages that were in vogue before May, 1866. They agreed to serve notice, and notice was served to that effect, beginning the 1st day of November.

Mr. MAYER. Would you not say that that was a mistake—1866; should it not be 1866?

Mr. HENRY. No, it is 1866; 1866 would be the period after the Civil War, when there would be the greatest surplus of labor in the country, and when wages had gone to pieces.

"The men would not accept it and went out on a strike. An assessment was then made of \$60,000. I think we agreed to raise it up to \$200,000 if necessary. I do not remember just how much was raised, but it was considerably more than \$60,000. The first assessment was \$50,000. We had to protect our town against rioting and the people who threatened to destroy our property, etc. and there were other expenses."

Then this witness goes on and gives the details of that agreement.

By Mr. FARWELL:

Q. That agreement is not in force now?—A. No, sir.

By the CHAIRMAN:

Q. I do not know whether it is or not. It was in force at the time the testimony was taken?—A. It was in force at the time the testimony was taken. That was about the time of our strikes, when we were having so much trouble and the militia were called out.

I apprehend that they were referring to the taking of testimony in 1889 [reading]:

By Mr. FARWELL:

Q. How long did this arrangement last?—A. I think the document states I presume it does. I never saw it.

By the CHAIRMAN:

Q. According to the testimony of Mr. Haightley, as I remember it, the agreement terminated last fall.—A. There is no secret about it. It is known to everybody. It has been published and was admitted on the stand before the Interstate Commerce Commission.

Q. Except that Mr. Haightley declined to give the names of the 18 parties in it.—A. That may be so.

Do you know, Mr. Armour, as to what wages were in May, 1866—or the hours of labor?

Mr. ARMOUR. No, Mr. Henry; I was born in 1863, and I would not know that.

Mr. HENRY. No; but in 1886, at the time this agreement was entered into, or parties to the agreement—and you had then been for several years with Armour & Co.—undoubtedly knew what the wages were in 1866, and what the hours were. You do not recall learning at that time?

Mr. ARMOUR. No, sir; I do not, Mr. Henry.

Mr. HENRY. Either as to the hours of labor, or as to wages?

Mr. ARMOUR. No, sir.

Mr. HENRY. Well, in 1904, there was a strike in the packing plant was there not?

Mr. ARMOUR. I do not know what year it was.

Mr. HENRY. 1903 or 1904?

Mr. ARMOUR. There was one; I do not know whether that is the year or not.

Mr. HENRY. No; that is later than this [indicating book]; this was in 1890 that this report was made.

Mr. ARMOUR. Nineteen hundred and what?

Mr. HENRY. 1903 and 1904.

Mr. ARMOUR. I think there was.

Mr. HENNEY. At that time the employees were organized and were out on strike, and then they never got back as an organized body, did they?

Mr. ARMOUR. I do not think they did.

Mr. HENNEY. And wages at that time, for common labor, were put at 17½ cents an hour, were they not, and remained at that figure from 1904 to 1916?

Mr. ARMOUR. I do not know, but I assume that you are correct.

Mr. HENNEY. And then between 1916 and the end of 1917 there was a raise of 7½ cents, 2½ cents at a time, three different times—well, they had been raised to 20 cents a little before that; and then there were three more raises, bringing it up to 27½ cents at the end of 1917. Do you recall that for common labor?

Mr. ARMOUR. I do not know what the raise was, but I think it was at the beginning of the war—was it at the beginning of our interest in the war, or at the beginning of the general way, when Mr. Altschuler assumed control?

Mr. HENNEY. That was at the beginning of our entrance into the war.

Mr. ARMOUR. After we entered the war?

Mr. HENNEY. It was really in December, 1917, that the mediation committee arrangement was made here by Secretary Wilson.

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And at that time common labor was receiving 27½ cents an hour.

Mr. ARMOUR. I assume that is correct; I think you are right.

Mr. HENNEY. That is right.

Mr. ARMOUR. Yes.

Mr. HENNEY. Now, the laborers had organized, to some extent, and were threatening to go out on strike if they did not get a raise at that time, were they not; and an arbitration arrangement was entered into by means of the mediation committee.

Mr. ARMOUR. Well, I never heard that there was any threatening that there would be a strike; I never heard that.

Mr. HENNEY. Well, there was a demand for an increase in wages.

Mr. ARMOUR. Naturally; everybody—

Mr. HENNEY (interposing). And the packers at first refused to arbitrate, did they not?

Mr. ARMOUR. Well, I do not know that they refused to arbitrate. I do not think at that time there was any particular unit—as we thought; and then afterwards, Mr. Altschuler came along; at least, we came down and appeared before Secretary Wilson; and the result of this was that Mr. Altschuler—

Mr. MAYER (interposing). Judge Altschuler.

Mr. HENNEY. But before Judge Altschuler was appointed, do you not recall that the packers met with the representatives of labor, at the Blackstone Hotel in Chicago, with Mr. Fitzgerald representing labor?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And they finally agreed on an arbitration, with Mr. Williams as arbitrator, and Mr. Williams subsequently died, and Judge Altschuler was substituted in his place; and they came to Washington and saw Mr. Wilson.

Mr. ARMOUR. Yes, sir.

Mr. MAYER. Mr. Williams did not die until about a month ago.

Mr. ARMOUR. He is dead now.

Mr. HENY. Yes, he is dead now. He stated that his health was so bad that he could not act; and then the position taken by Mr. Mayer, as attorney in the matter, in regard to what the arbitration agreement authorized—that was decided by the attorneys; by Mr. Frank Walsh, as attorney for the employees; and they finally came to the President with that, and then took it up with Secretary Wilson, and then this agreement of arbitration, in which Judge Altschuler was substituted for Mr. Williams, was worked out.

Mr. MAYER. Then there was a second arbitration this year, in which Mr. Heney succeeded Mr. Walsh.

Mr. HENY. Yes, which is still pending. Mr. Armour, at the time of the introduction of the Borland resolution, which was in February, 1916, or rather, shortly after that, the five big packers, so called, commenced to confer with each other in regard to the matter of publicity, of trying to start an educational campaign, advertising and trying to instruct the consumers and the producers as to the economic position of the packers, etc., did they not?

Mr. ARMOUR. No, Mr. Heney, they did not jointly. We did—I think all the packers did—the result may have been the same; but they did not do it in a joint way.

Mr. HENY. No; I think you misunderstood my question; my question was, that they conferred for the purpose of doing it jointly, but they never finally worked it out.

Mr. ARMOUR. I do not know that they did; if they did, I do not recall it; but I do not believe they did; I have no recollection of it—although there was advertising.

Mr. HENY. You have forgotten it, then.

Mr. ARMOUR. I do not say that there was not—there was a great deal of advertising done.

Mr. HENY. And the representative of Armour & Co. was Mr. Laughlin. Mr. Laughlin was the man who attended to advertising for Armour & Co., was he not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Well, he represented Armour & Co. in the meetings; and there is a series of letters on the subject that were taken from the files.

Mr. HENY. Here is one memorandum of a meeting held Thursday, July 20, 1916. It reads as follows:

Memorandum of meeting held Thursday, July 20, 1916. Present: Messrs. Henry Veeder; William Laughlin, of Armour & Co.; C. L. Charles, of Morris & Co.; V. D. Skipworth and J. C. Thompson, of S. & S.

That is now Wilson & Co., the same man representing it (continuing reading).

Thomas Creigh, of Cudahy Packing Co.; A. D. White, J. M. Chaplin, and R. D. Hebb, of Swift & Co.

The subject of educational publicity was discussed, the purpose of the proposed campaign being to create a more favorable public opinion for the large packer, both with the producer and consumer. It was thought that this might be best accomplished by paid display advertisements, setting forth the various facts connected with the operation of the large packers' business, which proves that they render a service to both the producer and consumer and at a minimum expense and profit.

As a basis for getting some idea as to the amount of money that might be involved in a campaign of this kind, it was agreed that Messrs. Laughlin and White would prepare an estimate showing what it would cost to run advertisements of a sufficient size to produce the desired effect and for a sufficiently extended period in the daily newspapers of all of the cities of the United States having a population of 25,000 and over. The suggestion as to size was 12 inches, triple column, approximately 500 lines, to be run twice a week.

The subject as to whether this advertising should be put over the signature of the American Meat Packers Association or some committee or over some name which would carry with it the significance of the packers working in conjunction with its efforts was discussed, and the consensus of opinion seemed to be that the large packers were numerically a very small percentage of the American Meat Packers Association, and the balance of the members might not be in sympathy with the name of the association being used in a campaign of this kind, and it was pointed out that signing all five of the packers' names or creating any title for a committee representing them might be misconstrued as significant of a combination or working in collusion. It seemed to be most advisable to consider putting out the advertising over the name of an individual packer in the various cities, perhaps one packer's name might appear in a certain city for six months and then the name of another packer might be used to avoid the possibility of the newspapers becoming insistent that another packer other than the one doing the advertising also do some advertising of a similar nature.

All of these various matters resolved themselves into the following questions to be voted upon at the next meeting:

1. How shall the advertisements be signed?
2. What percentage of the total expense involved shall each packer bear?
3. Should the minimum period for this advertising be one year or two years?
4. What length of time should one packer's name be signed to the advertisement before using that of another packer, if it is to be the policy to use more than one packer's name during the entire period?

For example, if Kansas City is assigned to Morris & Co. and the period of time for which this advertising campaign is run is two years, should Morris & Co.'s name be used in the advertisements for the entire period of two years, or should Morris & Co.'s name be used for the first six months, Armour's for the next six months, Swift's for the next six, and Cudahy for the next six, or dividing the total time into periods of five parts.

The estimate is prepared on the basis of using all of the worth while papers and it would seem necessary to do this for policy reasons. While, on this basis, we will buy a lot of circulation which will not be worth the money, the papers that might be left out, if considered strictly on their merits, could make enough trouble to defeat the entire purpose of the plan.

The use of foreign language newspapers must be given consideration and a separate estimate is prepared on the expense involved in using them.

The question of copy was discussed and Messrs. Laughlin and White will be very glad to have, as soon as possible, suggestions from the other members of the committee as to the kind of advertisements which should be used. They will submit several with the estimate.

Mr. White is going on his vacation the 22d of July and will be in New York, Monday, August 7, and it might be considered advantageous for Mr. Laughlin to be in New York on that date and for them to call on the proper officials of the American Telephone & Telegraph Co., the Western Union Telegraph Co., Bethlehem Steel Co., Pennsylvania Railroad Co., and any of the large eastern corporations who have been doing educational advertising during the past three or four years. It may be that they would get some valuable information from their experience as to the methods, mediums, and results, which would be of guidance to them in assisting to formulate the plans for this committee.

And on the left-hand side of that paragraph, in pencil, is written:

Have approved for A. D. W., W. B. T.

A. D. W. is evidently A. D. White, Swift & Co.'s publicity man; and W. B. T. is evidently W. B. Traynor, of Swift & Co.

Mr. ARMOUR. Yes, I believe so.

Mr. HENY. Mr. Traynor is first assistant to Mr. Louis F. Swift. The memorandum goes on:

There are many other mediums than the daily newspapers which are available in forming public opinion, such as the monthly magazines, weekly periodicals, etc. The value and cost of these mediums can be discussed at our next meeting, if some idea is gained as to the expense involved in using the daily papers, which should be the nucleus of our campaign.

Recognition would be given special conditions in the various territories where the advertising is appearing. For instance, we might wish to use special copy in Washington and State capitals and entirely different kind of copy in Texas and other cattle-producing States, and large cities different from small cities.

We must try and justify our efficiency and honesty to both the producer and consumer.

In addition to the expenditure for space in periodicals, we will need to have a small clerical force with some one in charge, assigned to watching all classes of periodicals for articles bearing on any phase of the industry, and where these are unfavorable, they must be promptly answered. This same force can create and inspire the publication of favorite articles through the reader's exchange in all of the various papers and regular news channels.

Now, it says:

Copies of memorandum to William Laughlin, A. D. White, and Henry Veeder.

And William Laughlin was publicity man for Armour & Co., was he not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. There is a publicity committee organized for Armour & Co. to do these things, is there not?

Mr. ARMOUR. Yes, sir.

Mr. HENY. As a result of these conferences, they finally worked out that each of the packers went ahead and did it on his own hook!

Mr. ARMOUR. Yes, sir.

Mr. HENY. Was there not an arrangement by which Swift and Armour agreed to alternate in advertising in different places?

Mr. ARMOUR. Not that I know of; I do not think there was.

Mr. HENY. I notice that Swift & Co.'s advertisement was running for some time steadily, and that was let up, and Armour has taken the place of it.

Mr. ARMOUR. That was simply a coincidence; there was no arrangement to do it.

Mr. HENY. The proposition was made in one of these places [indicating typewritten file] that that be done. May it not be possible that it is carried out by the different publicity committees?

Mr. ARMOUR. No; I do not think so. In fact, I know it is not.

Mr. HENY. Now, this matter was put up to the different ones; and there are several comments here [indicating file] by different ones on it. For instance, here is one:

CHICAGO, August 11, 1916.

Mr. W. B. TRAYNOR:

I am going to write a report of interviews in New York but agree with Mr. Laughlin not to circulate it until he returned, and we had a chance to agree that it covered all of the points we had in mind. I thought in the meantime you might like to look over the Bethlehem Steel Co. book, particularly the editorial comments on the back page.

A. D. W.

And in reply to that, Mr. Traynor writes to A. D. W. August 15, 1916, as follows:

CHICAGO, August 15, 1916.

Mr. A. D. WHITE,
Second floor.

I return herewith the book containing the Bethlehem Steel Co.'s statements to Congress and the public.

To me, the most striking thing about this campaign is the simplicity of the arguments. Think that we would do well to take a cue from this campaign and—

First. Confine our arguments to the fewest points.

Second. Make our statements as simple as possible.

Third. Make them short.

Fourth. Put them in big type.

WM. B. TRAYNOR.

Now, I want to call your attention to just one other, reading as follows:

EDUCATIONAL PUBLICITY.

CHICAGO, August 18, 1916.

Mr. LOUIS F. SWIFT,
Office.

There will be a meeting of the committee representing the various packers, Tuesday afternoon, August 22, and I would like to be able to vote at that time in behalf of Swift & Co., as follows.

1. That the advertising be conducted over the name of the individual packers and that advertising over that signature be continued for a period of one year.

2. The percentages of the total expense involved would be prorated on the basis of sales in the United States.

3. The minimum period for this advertising to be one year.

4. The approximate estimate prepared by the advertising agents of Armour & Co. and ourselves, for 12 inches, triple column, twice a week for one year in cities of 25,000 population or over, amounts to \$1,500,000 for the daily newspapers and \$200,000 additional if the foreign newspapers are used. This total expenditure could be reduced by using smaller space, but this is a detail which the committee will work out in conference.

Awaiting your reply,

A. D. W.

And then another memorandum, as follows—this is dated August 24, 1916, and reads as follows:

EDUCATIONAL PUBLICITY.

CHICAGO, August 24, 1916.

MESSRS. W. LAUGHLIN, ARMOUR & Co., C. L. CHARLES, MORRIS & Co., J. S. THOMPSON, WILSON & Co., THOMAS CREIGH, CUDAHY & Co., LOUIS F. SWIFT, HENRY VEEDER.

A meeting of the publicity committee was held Tuesday afternoon, August 22, for the purpose of trying to arrive at a definite recommendation to make to our principals regarding educational publicity campaign. The following were present: Messrs. Laughlin, Charles, Thompson, Creigh, Henry Veeder, and A. D. White.

The first and most important matter discussed was how advertising of this nature might be signed; all except Mr. Creigh were in favor of the advertisements being signed by the individual packers, each packer to advertise over his own signature in a certain city for one year. Mr. Creigh favored the advertising being done over some title which would indicate that it was in behalf of the individuals, but Mr. Veeder and some of the rest did not favor this, feeling that a part of our trouble now comes from the fact that there is a popular notion that the large packers are in a combination to work in collusion to control the price of live stock and the price of meat, and we feel that any combined advertising effort, evidence on the face of it as being cooperative would tend to further suspicion already existing. Mr. Creigh is willing to vote with the majority on this matter, however.

The subject of distribution of expense was discussed, and it was suggested that this be distributed among the five packers on the basis of our total kill of live stock, reduced to dollars, or on the total sales of packing house products in the United States, based on dollars.

The subject of how it should be determined as to which packers should advertise in certain cities was discussed, and it was agreed that each representative would come to the next meeting prepared to express a preference as to the cities in which he would like to advertise. The final determination on this subject would have to be made a matter of agreement.

A list of the cities of 25,000 population or over, together with an approximate estimate of the amount which it would be necessary to spend in each, will be sent to each member of the committee as soon as possible, in order that their preference as to cities may be checked on the list.

ARTHUR D. WHITE.

AUGUST 24, 1916.

Mr. Armour, there was one advertisement that was to be sent out by the five big packers, in regard to the report of the Federal Trade Commission, was there not?

Mr. ARMOUR. Yes; I think only one, as I remember.

Mr. HENRY. Was that published in all the daily, weekly, triweekly, and biweekly papers in the United States?

Mr. ARMOUR. I do not know as to that; it was published in all of the principal newspapers.

Mr. HENRY. And do you know the total cost of it?

Mr. ARMOUR. No; it was not very cheap.

Mr. CREIGH. May I inject just one statement? The joint advertisement was not in answer to the report of the Federal Trade Commission on the packers; it was in answer to the profiteering report, which embraces many other corporations besides the packers.

Mr. HENRY. The profiteering report by whom—by the Federal Trade Commission?

Mr. CREIGH. Yes; by the Federal Trade Commission.

Mr. HENRY. Thank you; my memory was at fault as to that; I thought it was the other report.

Then there is a letter dated August 28, 1916, addressed to Messrs. Laughlin, Charles, Thompson, and Creigh, the writer of which is A. D. W., in which he states that he sends copies of list of cities in the United States having a population of 25,000 or over; it reads as follows:

I am sending herewith a copy of the list of cities in the United States having population of 25,000 and over, where the committee is considering educational advertising. Opposite the name of each city is shown the approximate amount of money which will be necessary to spend to run 12 inches, triple column, twice a week for one year.

In our last conference, it was thought that this space might be reduced to 8 inches, triple column, thereby reducing the expense 25 per cent, but all of this is subject to adjustment on the very cheapest basis upon which the space can be secured.

I understand perfectly that there is nothing at all definite about the percentage basis for disposition of expense, but in order that the various representatives may arrive at some approximate number of cities making their selection as to preference, suggest they use the following percentages for preliminary consideration and each one of us will check cities up to the approximate proportion of the total amount of money shown on the schedule:

Swift.....	36
Armour.....	29
Morris.....	15
Cudahy.....	10
Wilson.....	10

And, then, on August 29, 1916, there is another. Then there is one here dated September 8, 1916, which Arthur D. White addressed to the various parties, as follows:

EDUCATIONAL PUBLICITY.

CHICAGO, September 8, 1916.

Messrs. LOUIS F. SWIFT, CHARLES H. SWIFT, F. S. HAYWARD,
HENRY VEEDER, and GEORGE H. SWIFT,
Boston.

The amount of money involved in the expenditure for educational advertising for one year in all newspapers in cities of 25,000 population and over, would be practically \$1,500,000.

It is evident from our meeting Wednesday the 6th, that Morris and Cudahy were rather reluctant about going into a campaign which would involve expense on their part of their pro rata share of this amount and it was suggested that we consider immediately a campaign of educational advertising in the so-called agricultural papers, such as Wallace's Farmer, Breeders' Gazette, live-stock papers at various packing-house centers and specially breeding papers, such as the American Swineherd and the American Sheep Breeder and Wool Grower.

It seems that most of our trouble in the past year or so has come through a misunderstanding by the stock raiser and feeder of the packer's economic position and it is deemed expedient that a campaign of education with paid advertising be directed particularly toward this class of people.

An estimate is being prepared of the expense involved in a campaign of this kind, and I think there is a much better chance of getting Morris, Cudahy, and Wilson in with Armour and Swift on a campaign of this nature as a try out, and then we are hopeful that it will develop into another and larger campaign in the daily newspapers to try and educate the consumer as to the packer's economic efficiency. I will report further on details as they may be agreed upon.

The committee hopes to have within a week a definite plan to suggest to the principals of each of the five corporations for the educational campaign in the agricultural press.

ARTHUR D. WHITE.

And then the next letter is dated Chicago, September 20, 1916, and reads as follows:

MR. W. B. TRAYNOR,
Office.

Answering yours of even date: It would be the plan to have communications to the various agricultural publications sent over the signature of the packer who might be advertised in that particular publication.

For example, if the article appeared in Wallace's Farmer and was detrimental to the large packers, and Swift & Co. were doing educational advertising in Wallace's Farmer, the letter in answer to that certain article would go on our stationery, signed F. S. Hayward, Secretary.

A. D. W.

Mr. Armour, was there a banquet or dinner given by you to the editors of farm newspapers?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. And breeders' papers in the country recently, or a few months ago?

Mr. ARMOUR. Not recently.

Mr. HENRY. About October last year?

Mr. ARMOUR. I think so, yes.

Mr. HENRY. And that was at the Congress Hotel?

Mr. ARMOUR. No, sir; at the stockyards.

Mr. HENRY. At the stockyards. How many papers were represented there?

Mr. ARMOUR. There were, perhaps, 25 people there; I would say 25 people, they were all representatives of the newspapers.

Mr. HENEY. Mostly farmers' and agricultural papers?

Mr. ARMOUR. I think so.

Mr. HENEY. Was Wallace's Farmer represented there, do you know?

Mr. ARMOUR. I do not know; I do not think they were, but I do not know.

Mr. HENEY. At that dinner was that paper that is published in Philadelphia that these advertisements were in that I put in evidence—the Farm Journal—was that paper represented there?

Mr. ARMOUR. I am sure I can not tell you. I have not the newspapers in my mind.

Mr. HENEY. Of those who were there, can you tell me how many subsequently took advertising from Armour & Co., or were given advertising by Armour & Co.?

Mr. ARMOUR. I really do not know; I know the luncheon had nothing to do with our giving advertising; I do not think we increased or decreased our advertising on account of the luncheon.

Mr. HENEY. What was the purpose of the luncheon?

Mr. ARMOUR. To have those people go through the packing house and become acquainted with the industry; and we tried to tell them about the industry.

Mr. HENEY. Well, was it not the purpose to get them interested in the packers' viewpoint in this educational campaign, and to give them—

Mr. ARMOUR (interposing). You can put it that way, if you wish, but it was to have them better acquainted with what we are doing, with what the packers' business was, and with what we were doing in the community—what our business was.

Mr. HENEY. And in the hope that you could interest them in publishing articles?

Mr. ARMOUR. Naturally.

Mr. HENEY (continuing).—which you expected to have written and sent to them for publication later on, was it not?

Mr. ARMOUR. I do not know as to that; but we wanted them to get better acquainted with our business; and we naturally hoped that, if they did get better acquainted with our business, they would see our business as we saw it.

Mr. HENEY. And you were intending to start an educational campaign, and an advertising campaign—

Mr. ARMOUR. (interposing). Possibly we were, Mr. Heney; I will not say we were not; it is quite likely.

Mr. HENEY. And you have since started one.

Mr. ARMOUR. I do not know that we have, on that. We are doing a lot of advertising.

Mr. HENEY. Well, that advertising is not strictly advertising; it is publishing special articles.

Mr. ARMOUR. Well, you can call it that; I have no objection to that. As to calling it educational—

Mr. HENEY (interposing). It is intended to educate the public to your viewpoint that your packing-house business is a fairly conducted business, is it not?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. And when your man who is watching these things sees an article which he thinks is adverse to the big packers, and when he thinks an article should be written in reply to that if he can get it published, that article would be sent to be published by the packer who happened to be advertising at that particular time in that particular paper, do you know whether you were working along that line?

Mr. ARMOUR. No; as I understand, nothing came from that.

Mr. HENRY. There was no common—

Mr. ARMOUR (interposing). No; we decided that it was not the proper way to do, and nothing came from those letters you have been reading; it was decided that everybody should do their own advertising in their own way.

Mr. HENRY. I see.

Mr. ARMOUR. And I will say to you, Mr. Henry, for your information, that if there is anything that appears adverse to Armour & Co., we try to straighten it out if we can; we try to tell the people about the business; and if their impression on the business is wrong, we try to enlighten them.

Mr. MAYER. You try to give them your side of the case.

Mr. ARMOUR. Yes.

Mr. HENRY. Well, that is a new policy; was not the policy not one of silence before that?

Mr. ARMOUR. Yes, and it was very unfortunate for us; we are very glad to say that we think that policy was a poor one.

Senator NORRIS. You did not confine the advertising campaign to cities having a population of 25,000 or over, did you?

Mr. ARMOUR. No.

Senator NORRIS. You try to advertise in all the cities in the United States?

Mr. ARMOUR. We try to; yes, sir.

Senator NORRIS. The size of the town has nothing to do with it; you advertise in little country newspapers?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. If there are any in which you have not advertised, it is because you have published something—

Mr. ARMOUR (interposing). Well, I would hardly say that.

Senator NORRIS. It has not?

Mr. ARMOUR. Well, I say not very extensive; we have not covered all the papers of the country; we have covered the principal papers.

Senator NORRIS. Have you limited it to cities or towns of a certain size?

Mr. ARMOUR. I could not answer that; I do not know. For instance, we had an advertisement here this morning; you may have seen it, and you may not.

Senator NORRIS. I am trying to get an idea as to the size of the campaign.

Mr. ARMOUR. I do not think we limit ourselves as to size.

Senator NORRIS. There are a good many papers that come to my office, and some are from very small villages, and they carry the advertisements just the same as the big city newspapers.

Mr. ARMOUR. I think we try to do that pretty generally; yes.

Mr. MAYER. I should say, probably in the small communities where the farmers live and read, that would be my guess.

Senator NORRIS. Does the policy prescribe that you and Swift shall not advertise in the same newspaper at the same time?

Mr. ARMOUR. We have no agreement whatever on advertising with Swift.

Senator NORRIS. I notice in these comparatively small papers—I do not think it applies to the larger magazines—that I have never seen advertisements from two of the packers in the same paper at the same time, although I have seen them at different times.

Mr. ARMOUR. We have no agreement whatever with Swift & Co.

Senator NORRIS. That is just a coincidence?

Mr. ARMOUR. That is just a coincidence, if that happens.

Mr. HENRY. I will read a letter dated October 5, 1916:

OCTOBER 5, 1916.

Mr. L. F. SWIFT:

Answering yours of the 5th attached, please find copy of proposal by Mr. Laughlin of Armour & Co. and the writer based on the discussion of the full committee.

Upon submitting this to the various members and asking if it would have their support and be recommended to their principals, we have the following:

Armour & Co., Mr. Laughlin has already discussed it with Mr. Watson Armour and Mr. F. E. White, who have passed it along to Mr. J. O. Armour for approval.

Mr. Charles, of Morris & Co., is in favor of the plan and is recommending it to his principals.

Mr. V. D. Skipworth, of Wilson & Co., is against the plan of individual exploitation for the various firms and wants to handle the matter through a bureau.

Mr. Creigh, of Cudahy & Co., is rather inclined to agree with Mr. Skipworth, but I think is not anywhere near as strong in his views as Mr. Skipworth is.

I would therefore recommend that Swift & Co. give this plan their approval, and before definitely starting the work that every effort be made to get Wilson & Co. and the Cudahy Packing Co. to cooperate with us on the proposed basis, but if they will not do it, to begin this work without them.

Congress reconvenes in December and we are losing valuable time if we are going to create any favorable impression on the live-stock raiser and feeder prior to a date at which the politicians will have an opportunity of renewing their attack through pushing the various bills now before Congress demanding an investigation.

Mr. J. M. Chaplin visited E. Dana Durand, professor of economics at the University of Minnesota, on Wednesday and Mr. Durand suggested to him that we should, through paid space, exploit some of the economic facts regarding our business.

Attached please find copy of resolution which I would suggest having presented to the convention of the American Meat Packers Association by some small packer. Mr. F. E. White, of Armour & Co., and Mr. C. E. Charles, of Morris & Co., approve the suggestion. Mr. Skipworth, of Wilson & Co., said he would think it over, and I am unable to reach Mr. Creigh as he is out of town.

Awaiting your reply.

A. D. WHITE.
J. M. CHAPLIN.
P. D. HEBB.

Now, the resolution reads as follows:

The attacks upon the packing industry during the past two years have been inspired principally by organizations of live-stock raisers. The chief complaint seems to have been the so-called "violent fluctuations" in prices of live stock in short periods of time.

While there is widespread satisfaction with present prices, the marketing committee of the American Live Stock Association—

Mr. MAYER. Is that "widespread satisfaction" or "widespread dissatisfaction?"

Mr. HENEY. Widespread satisfaction. Prices to the producer went up in 1916.

While there is widespread satisfaction with present prices, the marketing committee of the American Live Stock Association presents as its policy, a persistent effort to have conditions investigated under which live stock is marketed, in order, if possible, to avoid a repetition of some of the depression of prices which were so disastrous in some cases during 1915.

It would seem that the present satisfactory prices are not going to persuade our enemies to drop their attacks against the industry and we feel that the only thing which will ultimately stop these attacks is an intelligent understanding on the part of the live stock raiser and feeder, of the absolute impossibility of the packer in any way to control the prices, and through educational advertising it is hoped to educate the live stock men, as to the packers' efficiency, the reasonableness of his profits and the impossibility of controlling the prices of either live stock or meat, and the packers' sincere intention to cooperate with the Bureau of Markets, Department of Agriculture, or any other fair-minded agency which will try to work out some solution of more even marketing of live stock with more stable prices.

It is proposed to advertise in most of the so-called agricultural papers, such as the Breeders' Gazette, Wallace's Farmer, Iowa Homestead, and periodicals of this class; also the daily market papers published at the live stock centers, such as the Chicago Drovers Journal, St. Paul Reporter, Kansas City Drovers Telegram, etc.

We will also use the publications which are the organs of the various breeding associations, such as American Swineherd, etc., and any of the papers published by the various cattle breeding associations, like the Cattleman published by the Texas Cattle Raisers' Association.

A campaign of this kind for six months will cost approximately \$350,000 for which we can secure a page 12 times in the various publications. It would be the plan to have a page every month in the monthly publications and one every two weeks in the weekly publications and a quarter page weekly in the daily live stock market papers. The expense would be prorated on the basis of the purchases of live stock in money during 1915.

We believe with this expenditure a thorough effort can be made to have a better understanding of the packer by the raisers of live stock and recommend that the plan be started at once.

It is proposed to conduct this advertising as individual campaigns by the five large packers. For instance, if Swift & Co. started advertising in the Breeders' Gazette, the advertising run in that paper during the six months would all be over Swift & Co.'s signature. If Armour & Co. started advertising in Wallace's Farmer all of the advertising in that publication would be signed by Armour & Co.

The question of the signature over which the advertising should be conducted has been the subject of considerable discussion by the committee. Messrs. Creigh and Skipworth, representing Cudahy and Wilson, seemed to feel that it would be an advantage to conduct the advertising over a title which should indicate a joint interest in the matter.

Messrs. Charles, Laughlin, Veeder, and White, representing Morris, Armour, and Swift, believe that the basis for a lot of our trouble is the belief in the minds of a lot of people that the five large packers work in collusion to depress prices of live stock and increase the price of product as it may suit their fancy, and we feel that the publication of any advertising over a joint title would simply tend to confirm this suspicion in the minds of the people. The members of the committee agreed to be governed by a majority vote on any matters upon which they could not all agree.

Senator NORRIS. What is the date of that letter in which that resolution is inclosed? I mean the letter referring to E. Dana Durand, who was consulted?

Mr. HENEY. October 5, 1916.

Senator NORRIS. Was that while Mr. Durand was in the Food Administration—or was it before that?

Mr. HENNEY. This was before that. Mr. Durand had made a visit to Washington on behalf of the five big packers, after the Borland resolution was introduced, in February, 1916, and this was after that. Senator NORRIS. Yes, I remember that.

Mr. HENNEY. Stopping for a moment, with reference to that last paragraph, as to why it would not be well to go into a joint campaign, that was the real reason that the packers decided to go ahead separately, that it would tend to raise a suspicion that they were in collusion, was it not?

Mr. ARMOUR. I assume it was, I know that that was abandoned.

Mr. HENNEY (reading).

In addition to the proposed advertising a bureau is to be established which shall watch for all of the news and editorial comment in these agricultural papers and make an effort to answer any unwarranted attacks on the industry.

It is proposed that in some of the advertising copy, communications from the live stock raisers will be invited and it will be the purpose of the bureau to handle such communications. This, at the outset would require the services of one man to conduct the bureau and necessary stenographic help.

If, after the completion of a six months' advertising campaign of the agricultural publications, the results accomplished in the favorable public opinion created, warrant a continuation of a campaign in these publications, this would be done, and at the same time consideration given to instituting an educational advertising campaign in the newspapers of the larger cities directed toward the consumer, but it was thought best by the committee having the matter under consideration to suggest a trial of the educational advertising in the agricultural papers and see what results might be accomplished.

Whereas there may at times exist a misunderstanding as to the forces of supply and demand which control the price of live stock and the prices of meat and by-products.

Now here follows the resolution that I referred to:

Be it resolved, That the President appoint five members to form what shall be known as the information committee of the American Meat Packers' Association whose duties it shall be to collect and disseminate such information and data as may be available regarding the economic efficiency of the members of this association engaged in the meat packing industry and to promote a better feeling toward the industry. *Be it further*

Resolved, That this committee shall cooperate with any and all organizations representing the live stock raisers, packers, wholesale dealers, retail dealers, consumers and Federal and State departments or bureaus for the purpose aforementioned.

That is the resolution which was to be introduced by some small packer, if it could be brought about.

Now, the matter having been put up to Swift, L. F. Swift had this to say about it.

CHICAGO, October 6, 1916.

MESSRS. EDWARD F. SWIFT, CHARLES N. SWIFT, G. F. SWIFT, JR., L. A. CARTON,
Second Floor.

Please say if you are in favor of spending \$330,000 for six-months campaign along the lines of the attached memorandum (providing Armour & Morris will come in and sign a memorandum to this effect), prorated according to the money spent for live stock, having Wilson and Cudahy come in if they wish—otherwise go on without them.

It looks all right to me.

This has been the subject of different meetings at which Mr. Veeder and others have been present.

L. F. SWIFT.

And at the top of that letter was written in pencil:

It looks O. K. to me. Through advertising you will certainly gain the good will of the papers.

L. A. C.

That is the treasurer of Swift & Co., Mr. Carton.

Now, was not the milk in the cocoanut, that the advertising, besides helping to educate whoever might happen to read it, would really have the effect of tending to make the newspapers feel friendly toward the big packers and take their side of the investigation that was just being urged—that did take place—and on any question of legislation that might come up?

Mr. ARMOUR. No, I hardly think that, as you state it. I think that, any advertising that the packers made in the campaign, we would hope to have the public, as well as the newspapers, feel—we tried to educate them; we tried to teach them about our business; and it was not, as I understand you to state, wholly on the advertisement, it was to enlighten both the public and the newspapers, any anybody else about our business.

Mr. HENRY. Did you not believe, in making these large expenditures, that it would have a tendency to influence the newspaper to take a favorable viewpoint on it?

Mr. ARMOUR. I do not think it was, if our explanation was not a good one.

Mr. HENRY. Has it not been your business experience that a man who is making money out of you is not inclined to bite the hand that feeds him?

Mr. ARMOUR. Well, I would not care to answer that question; but I presume that is a natural question, that you can answer yourself, perhaps. I mean, I think the—

Mr. HENRY (interposing). Well, I will pass to another question then.

There is a letter here dated October 14, 1916, in which Mr. Louis F. Swift attempts to have that resolution passed by the American Meat Packers' Association.

Then here is a letter dated October 14, 1916, addressed to William B. Traynor, which reads as follows:

CHICAGO, October 14, 1916.

WILLIAM B. TRAYNOR:

Referring to my telephone conversation prior to going to Cincinnati regarding authorization for the appointment of a committee for the A. M. P. A. to be a channel through which information might be sent out regarding the industry: G. L. McC. was afraid that the appointment of a committee of this kind might single out some individuals at whom attacks might be directed by unfriendly interests, and he agreed that any time we wanted to put out any statements of a general nature regarding the industry he would endeavor to secure authority for the use of the name of the association within 48 hours.

A. D. W.

That is the George L. McCarthy who was receiving the payments from Swift, Armour, and Morris of \$5,000.

Mr. ARMOUR. Yes.

Senator NORRIS. Was that the George L. McCarthy who is now dead?

Mr. HENRY. Yes.

Senator NORRIS. And he was general manager of that New York publication, the National Provisioner.

Mr. HENRY. Yes. He was also secretary of the American Meat Packers' Association.

Senator NORRIS. If you are through with the subject of Mr. McCarthy, I want to ask Mr. Armour a question. Are you through with that?

Mr. HENRY. Yes, I am through with that.

Senator NORRIS. You heard Mr. Schrenk's testimony here yesterday, did you, Mr. Armour?

Mr. ARMOUR. Yes.

Senator NORRIS. He is vice president and secretary of the Food Trade Publishing Co., the company that publishes the National Provisioner. In that testimony, Mr. Schrenk said that Mr. McCarthy, prior to his death, was general manager of that publication—and you remember the letters that were shown here.

Mr. ARMOUR. Yes.

Senator NORRIS. And that he was paid by the three packers, Armour, Swift, and Morris, I believe, \$5,000 a year.

Mr. ARMOUR. Yes.

Senator NORRIS. What did he do for Armour & Co. to earn his salary?

Mr. ARMOUR. I do not know.

Senator NORRIS. Well, is that an instance—does it not appear to be, as far as these letters disclose—where the packers were just simply paying money for the good it might do in influencing a publication of that kind?

Mr. ARMOUR. That particular publication could not influence anybody.

Senator NORRIS. Well, he was secretary of this big association, in addition, was he not?

Mr. ARMOUR. Yes.

Senator NORRIS. What is that association called?

Mr. ARMOUR. American Meat Packers' Association.

Senator NORRIS. Well, Armour & Co. did not owe him anything in any way, did they?

Mr. ARMOUR. Not that I know of, no.

Senator NORRIS. How long was he on the pay roll of these three packers, getting \$5,000 a year?

Mr. ARMOUR. I could not answer that.

Senator NORRIS. You do not know?

Mr. ARMOUR. No, I do not know, Senator.

Senator NORRIS. Well, you can not give the committee any information as to what services he was performing, either for you or for the other packers?

Mr. ARMOUR. No, I can find out, but I can not give you the information now.

Senator NORRIS. Or what salary he was getting?

Mr. ARMOUR. No, sir; I can not.

Senator NORRIS. Did you know, before you heard the testimony, that he was on the pay roll of your company?

Mr. ARMOUR. No, sir; I did not.

Senator NORRIS. Well, have you given any instructions to any of your employees who were under you to employ such men?

Mr. ARMOUR. No.

Senator NORRIS. Did you have any knowledge whatever that they were employing such men?

Mr. ARMOUR. No, sir; I did not know he was employed.

Senator NORRIS. Did you know, in a general way, that such men were being employed, or that money was contributed to editors?

Mr. ARMOUR. I do not think they are, generally.

Senator NORRIS. In general?

Mr. ARMOUR. In this particular case, I presume he gave services to Armour & Co.; as to what they were, I do not know; I will try to find out.

Senator NORRIS. Evidently, if Mr. Schrenk was right, the publication did not know that he was getting that salary.

Mr. ARMOUR. No; it was probably for work done outside of the publication.

Senator NORRIS. You have not any idea what it was?

Mr. ARMOUR. No, sir; but I can find out for you; he evidently did something, or he would not have been paid.

Senator NORRIS. Well, we have some other testimony here, of another newspaper man, an editorial writer by the name of Logan, who was getting a salary from Swift & Co. Do you know anything about him?

Mr. ARMOUR. No, sir; I do not even know him.

Senator NORRIS. Do you know whether Armour & Co. pay any share of the expense of his salary?

Mr. ARMOUR. I know they do not.

Senator NORRIS. Are you sure about that?

Mr. ARMOUR. Yes.

Senator NORRIS. Now, you did not know that you were paying Mr. McCarthy anything, did you?

Mr. ARMOUR. That might be true, but I know——

Senator NORRIS (interposing). It may be that the fellows under you were paying somebody else like him.

Mr. ARMOUR. No, sir; I know they do not pay Mr. Logan, because I took pains to find out, when I read in the papers about it, and I found out.

Senator NORRIS. You found out that you were not paying him anything?

Mr. ARMOUR. Yes. The first I knew of it was when I read it in the newspapers, and I took pains to find out if we were paying him anything.

Senator NORRIS. Who, in your company, would have authority to employ men like Mr. McCarthy? Whose duty would it be to look after a thing like that?

Mr. ARMOUR. I presume Mr. White, or Mr. Meeker. I assume that Mr. McCarthy did some work for us. As to what the work was, I do not personally know now, but I will undertake to find out, if you want me to do so.

Senator NORRIS. Well, if he did anything. Now, he was working for three of the packers; and you were paying his salary in the same proportion as these other expenses were being borne, under the old system, the National Packing Co.?

Mr. ARMOUR. Yes, sir.

Senator NORRIS. Evidently, he was working for all three of you.

Mr. ARMOUR. Apparently.

Senator NORRIS. And it is also evident from this correspondence, that there was an attempt made to get in two other packers to pay their share of it, and that they declined to do so.

Mr. ARMOUR. Yes.

Senator NORRIS. And then that you three bore the entire \$5,000 expense.

Mr. ARMOUR. I do not know about that.

Senator NORRIS. Does it not show that in the letters which have been read?

Mr. HENEY. I do not recall that.

Mr. ARMOUR. That does not apply to Mr. McCarthy; that applies to this advertising; that applies to what Mr. Heney was reading about, as to advertising.

Senator NORRIS. But, as I remember Mr. Schrenk's testimony, on cross-examination when these letters were brought out, it appeared that the expense was borne by you three packers; but as a matter of fact, there was an attempt made to get some other packers in on it?

Mr. HENEY. I do not recall that.

Mr. ARMOUR. No, I think not; that does not refer to Mr. McCarthy at all.

Senator NORRIS. Yes, Mr. McCarthy's salary was paid by Armour, Swift, and Morris.

Mr. ARMOUR. I do not know about that.

Senator NORRIS. And no other packer was in on it.

Mr. ARMOUR. Mr. Heney can answer that.

Senator NORRIS. Well, you heard the testimony. All I know is what I heard of the testimony of Mr. Schrenk, and the reading of those letters, and from those letters, I judge that that is the way his salary was paid.

Mr. ARMOUR. No, you did not get any letters on that—Mr. Heney brought that out. Am I correct, Mr. Heney?

Senator NORRIS. I know that Mr. Heney brought it out, but it was in connection with the testimony of Mr. Schrenk.

Mr. ARMOUR. Yes, sir.

Senator NORRIS. The letter was written by Mr. Veeder, I think.

Mr. ARMOUR. Yes, sir; you are correct about that.

Mr. HENEY. That is correct; there was not any attempt to get the other two in, however, in regard to Mr. McCarthy.

Mr. ARMOUR. This is a different thing.

Mr. HENEY. There is one other letter here that I wanted to read.

EDUCATIONAL PUBLICITY.

CHICAGO, November 15, 1916.

Mr. LOUIS F. SWIFT,

Office.

Mr. C. L. Charles, of Morris & Co., says that they do not feel that the present plan for advertising in the agricultural publications alone, is sufficiently broad, but that we should also make some effort to educate the consumer.

On the other hand, they do not feel that they would want to participate in any expenditure large enough to influence the consumer in a comprehensive and effective manner, so their position is not logical.

We called a meeting Monday, November 13, at Mr. Charles's request at 3 o'clock at Mr. Veeder's office, and all were present with the exception of Mr. Charles, who telephoned at a quarter past 3 that he was tied up in Judge Baum's court on a case for Edward Morris and could not be present at the meeting.

Mr. Skipworth, of Wilson & Co., says they do not approve of an educational advertising campaign at this time, but would rather start with some kind of a bureau which might furnish men to address live-stock men's conventions.

write letters to newspapers, and otherwise promote educational work toward the development of "more and better live stock" and the eradication of disease.

Mr. Creigh, of Cudahy & Co., says they are in favor of a program somewhat similar to that proposed by Mr. Skipworth, but at the present time do not wish to participate in an educational advertising campaign.

Mr. Laughlin, of Armour & Co., and the writer, feel that there is no possibility of being able to get on to a common ground with Willson & Co., Morris & Co., and Cudahy & Co., so they will cooperate, and think it might be well for Armour and Swift to consider doing this work individually.

I suggest that a meeting be arranged, if agreeable to you and Mr. Meeker, so that Messrs. Chaplin, Laughlin, Veeder, and the writer, can talk the matter over with you two gentlemen.

Awaiting your reply,

A. D. W.

Now, is it not possible that the two committees, the one of Armour and the one of Swift, are cooperating, to some extent, in the placing of this advertising, so that you will not duplicate, and running it in the same paper at the same time and in the same cities?

Mr. ARMOUR. I do not think they are.

Mr. HENEX. But do you actually know?

Mr. ARMOUR. Well, when you ask me, did I actually know, I do not think I do, except in a very general way.

Mr. HENEX. I mean, you have not made special inquiry as to that?

Mr. ARMOUR. No, because I did not know I would be asked the question; but I would be very glad to furnish the information for you later.

Mr. HENEX. Yes, we would like to have it.

Mr. ARMOUR. Will you take a memorandum of it, Mr. Mayer?

Mr. MAYER. What is the question—advertising in rotation, by the different companies?

Mr. HENEX. Whether the companies are working together so as to get the best results in the advertising, by not duplicating too much and having it reach as far as possible.

The CHAIRMAN. If there are any instances where advertising of the two companies has run in the same paper at the same time heretofore, I think it would be well to state that; that would be the best evidence.

Mr. HENEX. Mr. McCarthy, as secretary of the American Meat Packers' Association, could be of considerable service in this way, could he not—by letting you three big packers know what might be going on in the American Meat Packers' Association?

If there was any agitation on the part of the small packers to have an investigation of the big packers, or to have legislation that would prevent the big packers from gradually absorbing the small packers, it would be to your interest to know that such a thing was starting, so that the individual who was starting it might be shown the error of his ways, would it not?

Mr. ARMOUR. Naturally it would, if such a thing was possible, but I can not conceive anything—and I believe that any small packer that you call will agree with me—I can not conceive anything that would happen that would help the big packer that would hurt the small packer.

Mr. HENEX. Well, that is your viewpoint, but a small packer might have a different viewpoint.

Mr. ARMOUR. Possibly, oh, yes.

Mr. HENEY. For instance, if, instead of adopting the Borland resolution, there had been adopted a resolution by which the small packers should be furnished information as to what the big packers were doing; that would have an effect on the big packers, would it not?

Mr. ARMOUR. Yes; that would be natural.

Mr. HENEY. And you would like to have friends who would oppose it, would you not?

Mr. ARMOUR. Yes; of course, such a thing could happen, but I think it is unlikely to happen.

Mr. HENEY. Well, this correspondence [indicating] shows that it did happen in the cattle association, and you people made a joint effort to try to get men into the cattle association who would not take the same view.

Mr. ARMOUR. Well, that is true, possibly; but the small packers' business and the big packers' business so interlocked—when I say "interlocked" I mean they are so much the same, that I think any small packer will tell you that the interest of the big packer is the interest of the small packer. Now, I will—

Mr. HENEY [interposing]. Now, Mr. Hormel—

Mr. MAYER [interposing]. Let him finish.

Mr. ARMOUR. I have finished.

Mr. HENEY. Mr. Hormel, of Austin, Minn., told me just the contrary.

Mr. ARMOUR. He did?

Mr. HENEY. And he told me how he was being surrounded by a concentration being used, for Cuhady's benefit, around the railroad, where they were heading off the hogs that were close to his plant, which he had been in the habit of buying, and that Wilson & Co. had acquired a plant 25 miles away, and the correspondence from Wilson & Co.'s plant was that the instructions were to buy around Hormel, even if they had to ship into Chicago—to buy around Hormel, to keep Hormel from getting the hogs; and Mr. Hormel told me that that was making him go 1,000 miles away to buy his hogs, and to pay the freight; whereas he had been getting his hogs right at the door of Chicago; he was paying the Chicago price, and the producer was paying the freight, the man at Hormel's was having that advantage, of paying the Chicago prices; whereas, if they had to go 1,000 miles away, they would have to pay the freight; and that is what they have to do now.

Now, those things would affect his interest in a very substantial way, would they not?

Mr. ARMOUR. It might be, in that particular case, but I do not think generally it would be.

Mr. HENEY. Yes; but if he could get that corrected, he might be anxious to do it.

Mr. ARMOUR. Yes; on that one thing.

Mr. HENEY. There is one other thing to which I wish to call your attention—

Senator NORRIS. Before you take that up, I want to call Mr. Heney's attention and Mr. Armour's attention and Mr. Mayer's attention to something—

Mr. HENEY. (interposing). You are right and we are all wrong.

Senator NORRIS. About something that may have been a mistake.

Mr. MAYER. I did not make a mistake.

Mr. HENEY. I apologize.

Senator NORRIS. Referring to the letter here from Veeder, which shows that he undertook to include Wilson & Co.—

Mr. HENEY (interposing). That is right.

Senator NORRIS. And that Wilson & Co. declined to pay it, and that he wrote again to Armour & Co. and Swift & Co. and Morris & Co. and told them that Wilson & Co. had declined to pay it. I will read that letter. It is a letter written to Arthur Meeker, care of Armour & Co., Chicago. (Reading:)

DEAR SIR: Referring to my letter of October 28, 1916, in reference to Mr. George L. McCarthy's fees for the current year, I will say that Wilson & Co. declined to participate, stating their company never has participated in this expense. This is true, and I therefore wish to cancel the figures in my letter of October 18, 1916, and to substitute therefor the following figures:

Then he put them in on a basis of three. And it is followed then by a letter—

Mr. HENEY (interposing). There were several letters on that. It all comes back to my memory now.

Senator NORRIS (continuing). To Wilson & Co., and their letter to Mr. Veeder in which they declined to pay. I will not read it all, but it says (reading):

We do not find that we have in the past participated in this expense. We personally do not feel justified in participating, as we feel that we are fairly heavy contributors in various ways to this same general cause, and would therefore ask that we be not considered as a participant in this matter.

Mr. MAYER. I think you have a mistake on Mr. Heney and on Mr. Armour. I did not "participate" in that.

Senator NORRIS. You are like Wilson & Co., you did not "participate"?

Mr. MAYER. I did not know who was right.

The CHAIRMAN. Mr. Heney, have you a copy of a letter from Swift in regard to Hormel?

Mr. HENEY. Wilson & Co. not only bought out this other plant, but after surrounding him, then they tried to buy out Hormel.

The CHAIRMAN. Have you letters in that regard?

Mr. HENEY. Yes, sir. We have that entire correspondence.

The CHAIRMAN. I wish you would print that in the hearing just following Mr. Hormel's statement, because he was here and testified that everything was lovely as the dawn.

Mr. HENEY. I will do that.

The CHAIRMAN. And the stenographer will publish that following his statement, as it will illuminate it there.

Mr. MAYER. Mr. Chairman, I did not read his testimony. Did he say everything was happy and sweet?

The CHAIRMAN. Oh, yes; fine.

Mr. MAYER. I have had no time to read his testimony because I was before the House committee.

Mr. CREIGH. Mr. Chairman, might I also add one correction to be made? The Cudahy referred to is not the Cudahy Packing Co.

Mr. HENNEY. That is a different Cudahy?

Mr. CREIGH. Yes; that is the Milwaukee Cudahy.

The CHAIRMAN. Yes; I think that is well to go in.

Mr. HENNEY. This is a letter to W. C. Kirk. Mr. Kirk is one of the attorneys in the legal department of Armour & Co., is he not?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. It is dated September 22, 1915.

Senator PAGE. Is this a letter to or from Mr. Kirk?

Mr. HENNEY. To Mr. Kirk.

The CHAIRMAN. It is from H. B. Myers, the president of the American Food Journal, and Mr. Kirk is who?

Mr. HENNEY. Mr. Kirk is one of the attorneys of Armour & Co. [Reading:]

Mr. W. C. Kirk—

Mr. MAYER. What is the date of that, Mr. Heney?

Mr. HENNEY. September 22, 1915. [Reading:]

In view of the fact that considerable activity has been shown during the past few weeks in various States against wrapped meats, we are anxious to secure for publication in our October issue some up-to-the-minute editorial comment in favor of the packers' side of the case. We would suggest that this material be written under your immediate direction, so that it may be published without loss of time in sending it back to you for revision. We have no doubt that this manner of handling the case in our editorial columns will be of great value to you, and we shall be glad to know that we have been of help to your cause.

Hoping to hear from you at your earliest convenience, we remain,

Yours, very truly,

H. B. MYER,

President, the American Food Journal.

P. S.—You understand, of course, that your name will not appear in the paper under anything you may choose to write.

I hope, Mr. Armour, that paper has not been overlooked in its advertising.

Mr. ARMOUR. I do not know, Mr. Heney. I hope not, too. [Laughter.]

Mr. HENNEY. Do you know whether or not the paper had any loans from Armour or Armour & Co. at that time, or whether Mr. Mayer had?

Mr. ARMOUR. I never heard of the paper; I do not know anything about it.

Mr. HENNEY. Did you ever hear of Mr. Mayer?

Mr. ARMOUR. No.

Mr. HENNEY. Then, I will call your attention to another one here. Do you know Mr. George W. Armstrong, of Fort Worth?

Mr. ARMOUR. I know an Armstrong down there; I do not know whether that is the man or not.

Mr. HENNEY. Did he run a newspaper there, a paper that purported to give news in regard to live stock matters?

Mr. ARMOUR. I probably know him, but I do not remember him, but probably I know him. The Armstrong I mean down there, I think, ran a bank down there, but probably it is not the same man, but I probably know this man.

Mr. HENNEY. I will read the letter, and then it may refresh your memory. [Reading:]

FORT WORTH, TEX., January 22, 1912.

Mr. F. W. CROLL, care Armour & Co., Chicago, Ills.

MY DEAR MR. CROLL: My notes in favor of Armour & Co. and Swift & Co.—

These notes were for \$5,000 a piece. The letter does not state it. The CHAIRMAN. How many of them were there?

Mr. HENRY. Two; one \$5,000 to Armour & Co., and one \$5,000 to Swift & Co. [Reading:]

I think they mature again on the 1st of February. I should like to have these notes extended for another year if it is agreeable. If not, I can sell the stock at a fair margin of profit and pay up the notes. I took this stock originally, and have retained it since, in the hope that by so doing, I could be of some service to Messrs. Armour and Swift.

I think that I have accomplished that end and it may be that it is now no longer necessary for me to remain a stockholder and director on the paper. If you have had occasion to observe the editorial policy of the paper before and after taking [laughter], I think you will note the change.

Please confer with Mr. Veeder of Swift & Co. and advise me your wishes in the matter, and oblige

Yours respectfully,

GEO. W. ARMSTRONG.

Mr. HENRY. Does that refresh your memory in regard to the man?

Mr. ARMOUR. No. No, I never saw the letter in my life.

Mr. HENRY. Have you noticed the change "before and after taking" on any of these newspapers where the advertising has been done?

Mr. ARMOUR. No, I do not believe I ever read that newspaper that that refers to.

Mr. HENRY. I mean in this campaign of advertising that is going on. Your committee is keeping a check on it, are they not, as to results you are getting.

Mr. ARMOUR. I do not know; I never saw them

Mr. HENRY. Do you recall this telegram [reading]:

Washington, July 7—

This is a telegram from Arthur Meeker to Mr. White, who is a director of Armour & Co., one of its administrative officers.

Mr. ARMOUR. Yes, sir.

Mr. HENRY. [Reading:]

We all agree—

Mr. ARMOUR. What date is that?

Mr. HENRY. Washington, July 7, 1916. I think that is the day that the Judiciary Committee of the House got the Borland resolution reported to it by the subcommittee, or took it under consideration, anyhow, or the subcommittee took it under consideration on the evidence. I think the evidence closed July 7. [Reading resumed:]

We all agree that it is very important to flood the Judiciary Committee with telegrams from all over the country and especially the districts where the Members come from, protesting against the passage of the Borland resolution, on the grounds live stock selling at very satisfactory prices, and any investigation will only disturb present satisfactory conditions. Please arrange a meeting this morning with Veeder and Nelson Morris. Get a committee to work on this promptly; presume banks, commission men, feeders of cattle, and live-stock men generally, and anyone else you can think of that would be helpful. Think messages should also be sent to Congressmen as well as members of the Judiciary Committee. The Congressional Directory can give you the list of their names and where they come from. I refer to the Judiciary Committee, and not to the subjudiciary committee. It is quite important to

reach Gard, of Hamilton, Ohio. Perhaps Proctor of Cincinnati knows him. Please get as much action as you can on this and promptly and have the messages sent varied in language.

ARTHUR MEEKER

A large number of telegrams—

The CHAIRMAN. (interposing). I do not know about the general wisdom of that suggestion, although varying the language was a very good suggestion. [Laughter.]

Mr. HENRY. Do you recall anything in regard to that telegram?

Mr. ARMOUR. I never happened to have seen the telegram, but I guess it is likely that happened.

Mr. HENRY. Do you remember that the banks and the chambers of commerce and commission men around in the various stockyards centers were importuned by Armour & Co. and Morris's representatives and Cudahy and Wilson?

Mr. ARMOUR. I do not know, Mr. Henry, that it was so, but I would think it quite likely to be so, because we would do what you or any other person would do that you could do legitimately. We are not asking for investigations, naturally, and I see nothing wrong about carrying out any of those provisions.

Mr. HENRY. The large packers generally are heavy borrowers in the aggregate—they borrow considerable money around over the country, do they not?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. On their notes?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. I saw some agreement—I forget whether it was made by you or not, of something like \$1,000,000,000.

Mr. ARMOUR. It was not made by me—of course, that is not correct, but they are very large borrowers.

Mr. HENRY. It was spread out pretty well by banks all over the country where banks were holding the notes of the packers.

Mr. ARMOUR. I think so.

Mr. HENRY. That would naturally give those banks an interest in stabilizing the earning power of the packers whose notes were out?

Mr. ARMOUR. Naturally is to have the packers successful.

Mr. HENRY. And then, again, the cattle loan banks located in these large centers like Kansas City and Omaha—

Mr. ARMOUR. (interposing). There is no question about that.

Mr. HENRY. (continuing). Would all have some influence with the other banks?

Mr. ARMOUR. There is no question about that.

Mr. HENRY. Then the business done by the packers in the large cities would tend to have some influence on chambers of commerce and stock exchanges?

Mr. ARMOUR. They would have the same influence any other industry had that did a large business and which was a benefit to the community.

Mr. HENRY. So that the ramifications of the packers' business in the United States would make it possible to bring a very considerable amount of influence of this kind to bear upon Congress or Members of Congress, would it not?

Mr. ARMOUR. The same as any other large industry, Mr. Henry; yes.

Mr. HENY. Do you know whether or not any influence was used in getting the Detroit banks to wire the President when they did to the effect that the investigation ought to be stopped that was being conducted by the Federal Trade Commission, because it was affecting the credit of the bankers?

Mr. ARMOUR. No. I heard that was done, and I thought that—

Mr. MAYER. Heard what was done?

Mr. ARMOUR. I heard that was done.

Mr. MAYER. What?

Mr. ARMOUR. That the banks in Detroit had done that; and we thought it was a very bad idea, and we were very sorry to have it done, and we tried to stop it. We only heard it was done after it was done.

Mr. HENY. The publication of that sort of thing would only be calculated to accomplish the very thing that they said they wanted to avoid—it might hurt the credit.

Mr. ARMOUR. We did not know it was to be done until after it was done.

Mr. HENY. It was well intended, but bad judgment.

Mr. ARMOUR. We thought so; yes, sir.

Mr. HENY. Is it your contention, Mr. Armour, that the packers have gone into the ownership of stockyards because it was necessary in order to get efficiency in the management of the stockyards as contended, in substance, by Mr. Swift?

Mr. ARMOUR. Originally so; yes.

Mr. HENY. That they originally went in for that reason?

Mr. ARMOUR. You see, wherever there is—yes; I think that will cover it, reasonably so.

Mr. HENY. How many stockyards did any one of the five big packers ever start, originally?

Mr. ARMOUR. Well, it was not necessary—that can hardly be weighed by starting them, because they went into some of them while very small a great many years ago, although they did not actually start them, and it was the ownership the packers had as the country grew and the packing business grew which helped the efficiency of those yards very much. I think they only actually started a few yards, but I mean by “starting them,” starting them from nothing. But they went into a great many yards that were already started, but they were very, very small and the development of the yards was due to the packers.

Mr. HENY. Well, the development of the yards, the growth of the yards was due to the fact they had packing plants that would buy the stuff that came to the yards—there can not be any question about that.

Mr. ARMOUR. Yes, sir; and the packers keeping the yards abreast of the times and abreast of the wants of the live-stock men as well as of the packers.

Mr. HENY. Do you mean by that that the packers have helped to keep them clean and efficiently conducted?

Mr. ARMOUR. Well, I do not know—you might use the word “clean”—but the efficiency of running the yards and enlarging the yards as the demands came.

Mr. HENY. Exactly. Now, do you think that the packers, aside from the fact that he packing plants attracted animals there, that the packers did anything to increase the efficiency of the yards in the way of being enlarged to meet the growing demands?

Mr. ARMOUR. I do actually think that the packers helped the yards.

Mr. HENEY. Can you name any yards in which that did occur, that the packers, aside from having their plants there, contributed in any way to help them by adding new capital to the yards?

Mr. ARMOUR. I do not know how you use the word "contributed." Do you mean efficient management?—if that is what you mean, I say yes.

Mr. HENEY. To help the company?

Mr. ARMOUR. If that is what you mean.

Mr. HENEY. By adding money by which to enlarge the yards and in with which to give more efficient service.

Mr. ARMOUR. We naturally think so.

Mr. HENEY. In what places did you do that?

Mr. ARMOUR. Well, Omaha. Of course, Fort Worth is a Hodge yard. Denver was already started when we went there. It was not a large yard, but we have spent a great deal of money in building up the Denver yards. And Sioux City—

Mr. HENEY. I do not mean by constructing pens.

Mr. ARMOUR. That is what I mean, by enlarging the yards and making them more efficient.

Mr. HENEY. You mean money that did not come from earnings of the yards.

Mr. ARMOUR. I do not mean—I do not state where it came from.

Mr. HENEY. That is what I am trying to get at.

Mr. ARMOUR. I do not understand your question.

Mr. HENEY. What I want to get at is you say that the packers have considered improving the yards to making them keep up to the demand and be modern.

Mr. ARMOUR. We naturally think that the packers will run the yards better than anybody else will run them, if that answers your question.

The CHAIRMAN. I want him to state why he thinks so. That bears on this whole question.

Mr. ARMOUR. For the same reason that we think we can run the refrigerator cars better than anybody else can run them. That may be pretty rank egotism.

The CHAIRMAN. That does not get you anywhere, Mr. Armour.

Mr. ARMOUR. I do not know if I can answer the question.

The CHAIRMAN. You say you think you can run the stockyards better for the main reason that you can run the refrigerator cars better than anybody else can run them. That may be so. Then, you might answer when I ask you the question about running the refrigerator cars that you can run them better because you can run the stockyards better. I really want to get at your reason for thinking that, because that is what this legislation is aimed at.

Mr. ARMOUR. I mean if the stockyards are run by individuals—it need not be the packers, but I think that if they are run by individuals that they will be run better than if they are run by anybody else.

Mr. MAYER. Run by the Government?

The CHAIRMAN. By the Government or the railroads, either one.

Mr. ARMOUR. If that answers the question, that is what I mean to imply. I do not mean that John Smith could not run the yards

well as Armour & Co.—I do not say that at all; but I say it would be a mistake to take the stockyards away from the individualism of somebody. Do I make myself clear to you?

The CHAIRMAN. I can appreciate your reasoning with respect to governmental ownership and operation. But I do not know about the railroads.

Mr. ARMOUR. That has been our thought, and I think that if the railroads take them, that the management will not be as good as it will be if they are left with the individual.

The CHAIRMAN. Is that based on a comparison of yards owned and operated by railroads as compared with the yards owned and operated by others?

Mr. ARMOUR. I do not know of any yards that are operated by railroads that we have had anything to do with, except in a very general way.

The CHAIRMAN. The M. K. T. used to operate some?

Mr. ARMOUR. They operated yards down at Fort Worth.

The CHAIRMAN. I did not mean that in particular, but that is one instance. The best way to reach a conclusion about anything like that is by comparing two systems, and I thought, perhaps, there had been instances where the railroads had operated stockyards, and that you could compare that with the operation by individual concerns.

Mr. HENY. I think the only places of any considerable size, Senator, was Detroit and Buffalo.

Senator NORRIS. Mr. Armour, do you think that the stockyards in reality are or should be a public-market place; is not that as near as they could be defined?

Mr. ARMOUR. Senator, we claim that no matter who runs the stockyards, whether we run them, or, for instance, whether you ran them—I do not mean that personally, but I mean anybody runs them.

Senator NORRIS. It does not offend me.

Mr. ARMOUR. We claim there is just as open a market—

Senator NORRIS. I understand that; but that does not answer my question.

Mr. ARMOUR. I want to answer your question.

Senator NORRIS. I am not objecting to your viewpoint. I want to see if we agree on what the stockyards are. We may look at it the same way, and I am not finding fault with you at all. The question is, do you regard the stockyards as a public-market place?

Mr. ARMOUR. We do; yes, sir. You mean as they are to-day?

Senator NORRIS. As they ought to be, let us put it that way—the stockyards should be a public-market place, should they not?

Mr. ARMOUR. Can I answer your question my way?

Senator NORRIS. Certainly. I do not want to suggest an answer.

Mr. ARMOUR. Yes; I think they are just as much of a public market to-day—

Senator NORRIS (interposing). I am not disputing that.

Mr. ARMOUR. Do you want to know if they are a public-market place—

Senator NORRIS. Yes.

Mr. ARMOUR. Yes. Under the present ownership.

Senator NORRIS. Let me ask you another question, then: Do you not believe that the stockyards ought to be a public-market place?

Mr. ARMOUR. I do, and I think it is.

Senator NORRIS. All right. I am not finding fault.

Mr. ARMOUR. All right.

Senator NORRIS. You seem to be hedging on something else.

Mr. ARMOUR. I do not want to. I will answer your question, yes.

Senator NORRIS. I am not trying to criticise your viewpoint as to how they should be owned.

Mr. ARMOUR. I will answer your question plain, yes.

Senator NORRIS. Now, then, do you not believe that a place for selling stock ought to be a public market place if owned and controlled by the people who, from the very nature of things, must necessarily do all the buying; that there would be at least opportunities for making rules and regulations to control them that would be unfair to the man who had to sell at the market place? I am not including in that question that they are—I will admit for the purpose of the question that your management, if you are managing the stockyards is perfect. The question is, if you do control the stockyards, do you not have the opportunity to take advantage of the man who had to sell there and can not sell any place else?

Mr. ARMOUR. Of course you might ask me the same question about the Continental Bank. Our family are large stockholders in the Continental Bank and have been for all the years. You may say because of our ownership in the Continental Bank that I might get favors from the Continental. I might, but I do not.

Senator NORRIS. You have answered my question, then.

Mr. ARMOUR. I might, but I do not.

Senator NORRIS. I am not saying for the purpose of this question that you do not operate them right.

Mr. ARMOUR. I can not answer a question as to what a man might do.

Senator NORRIS. The question is, does he not have the power to do it if he owns the stockyards; does not that follow, as a matter of course?

Mr. ARMOUR. It is a very remote power, if I may answer your question, because the people who sell the stock sell it to the people who pay the best price for it, whether it is Armour or Swift or anybody else.

Senator NORRIS. That market ought to be absolutely free and uncoerced or uninfluenced?

Mr. ARMOUR. Of course, I think it is.

Senator NORRIS. I am admitting for the purpose of the argument that it is.

Mr. ARMOUR. Yes.

Senator NORRIS. I am admitting your company is a model.

Mr. ARMOUR. We are not a "model," no.

Senator NORRIS. I am going to admit it for the purpose of question. But, if you owned the stockyards, does it not give you an opportunity to control it to the detriment of the man who has to come there to sell his stock?

Mr. ARMOUR. No, it does not, so far as that goes; no.

The only thing we could do—and it is so remote that I can not imagine it would be done—we might take a commission man, and

give him a poor pen, or something like that—not we, but we could tell a man to do it. That is the only way that I know it could be done. There may be some other way; I do not know. But you take Clay Robinson—

Senator NORRIS (interposing). Let them have a poor pen—you could do a thousand other things.

Mr. ARMOUR. No, we could not do a thousand other things.

Senator NORRIS. I am not saying that you do—get that out of your mind.

Mr. ARMOUR. It is out of my mind. I am trying to tell you what I think they could do and what we could not.

You take Clay Robinson. He sells cattle out at Omaha. We are large stockholders at the Omaha yards—Armour & Co. is—in fact, Mr. Dunham is the president of the Omaha yards. The only thing that I know—and perhaps I do not know, but I think I do—is that we could do, would be to give Clay Robinson poor locations, that the management of the yards might give him poor pens to keep his cattle in. Beyond that I do not personally know.

Senator NORRIS. You do not know any other way?

Mr. ARMOUR. No, I do not; and that is such a small thing that it would not be to our interest to do it, because it would be foolish to do it, in my opinion.

Senator NORRIS. That might be; that is not included in my question at all. Do you not think a public market place, where the buyer and the seller must come together, if it was controlled by one or the other ought to be controlled by the seller who has no more interest than to get as high a price for his product as he can?

Mr. ARMOUR. I can only answer that question by what has happened, and not about what might happen or what would happen. I know that Armour & Co. can not and do not buy our live stock any cheaper because we own an interest in the Omaha yards.

We own an interest in Chicago, and there is not any other packer who owns an interest in Chicago. There are other packers here in the room—I think, I do not know, but I believe they will tell you what I am going to tell you now. I do not think because we happen to own an interest in the yards in Chicago, that we have one bit of advantage over Swift or Morris or any other interests of Chicago yards.

Mr. HENEX. You refused to go into St. Paul, where Swift owned the yards unless you could get an interest in the stockyards?

Mr. ARMOUR. Yes; but that was not because it was going to hurt us or help us in the buying of our live stock.

Mr. HENEX. It must have been according to your theory that it would not interfere.

Mr. ARMOUR. We bought an interest in St. Paul because we thought our going to St. Paul would increase the earning power of the yards, and we wanted to get that benefit.

Mr. HENEX. That is the only thing that moves you in owning an interest, just the profit that there is in it?

Mr. ARMOUR. That is one of the reasons.

Mr. HENEX. That it is profitable?

Mr. ARMOUR. Why, certainly.

Mr. HENNEY. That is the only reason you cared to own it?

Mr. ARMOUR. No; that is not the only reason we cared to own it.

Mr. HENNEY. If some other packer owned it, who would be interested in keeping it to such a high state of efficiency, you would just as leave go in where some other packer owned it?

Mr. ARMOUR. There are just two reasons why we would want to own the stockyards: One reason is because it is a good investment; the second reason is because we are greatly interested in the efficiency of the running of the stockyards. You take those two reasons away and we do not care what happens.

Mr. HENNEY. But Swift & Co. is equally interested in efficiency of the stockyards?

Mr. ARMOUR. Absolutely.

Mr. HENNEY. In the St. Paul case there must have been only one reason why you insisted on having them.

Mr. ARMOUR. In that particular place, yes.

The CHAIRMAN. The stock that you have got in the stockyards there, was that a bonus, Mr. Armour?

Mr. ARMOUR. We got no bonus at all from anybody except from the citizens of St. Paul.

The CHAIRMAN. You got how much stock in the stockyards there?

Mr. ARMOUR. I think it was 600 shares.

The CHAIRMAN. How much a share?

Mr. HENNEY. It was \$600,000.

Mr. ARMOUR. It was \$600,000, or 6,000 shares.

The CHAIRMAN. Did you pay the equivalent of cash?

Mr. ARMOUR. We did not pay the equivalent of cash.

The CHAIRMAN. That much cash went into it, did it?

Mr. ARMOUR. The citizens paid it.

The CHAIRMAN. That much cash then went in. What I am trying to get at is, it was not watered stock; it was represented by cash paid in?

Mr. ARMOUR. I think so.

Mr. HENNEY. That was a mistake, Mr. Armour. It was cash paid \$100,000 and the other \$500,000 was an increase of capital stock by \$500,000, and nothing went in except your plant was going to be there, and that increased the value?

Mr. ARMOUR. But our dealings were wholly with the citizens.

The CHAIRMAN. That is a correct statement of Mr. Henney's, is it?

Mr. ARMOUR. I think so, yes.

The CHAIRMAN. And you went there on account of the profits you would derive out of this \$500,000 worth of stock?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You say the yardage charge has not increased there for 30 years?

Mr. ARMOUR. I understand not.

The CHAIRMAN. How much does that \$500,000 earn?

Mr. ARMOUR. I do not know; I could not say.

The CHAIRMAN. If that watered stock had not been issued—and did not have to earn a dividend—could not the yardage charge have been reduced, because your plant increased the business, did it not?

Mr. ARMOUR. Well, I do not know. I do not think anybody will concede that the yardage on stock is high or is excessive.

The CHAIRMAN. That is not the point.

Mr. ARMOUR. I understand the point you are getting at, Senator.

The CHAIRMAN. The point I am getting at is that here we have \$500,000 stock that represents no cash equivalent, which is earning a dividend, we will assume, and the yardage charge has not been reduced in 30 years, although freight rates generally have; and that your motive in going up there was to get these profits, and you would not go unless you got the profit on the yard as well. It struck me that if this \$500,000 did not have to earn a profit to pay you a dividend then that these rates could be reduced, and if reduced the live-stock producers might have gotten the benefit of that, which you wanted to get on the stock given the company.

Mr. ARMOUR. Of course, I do not know how that would be. I hardly think that would be so, because with the increase—I think we brought them enough more business—they will have to enlarge the yards—and I do not think—

The CHAIRMAN. If you brought more business there, a large volume, enables you to reduce the cost of carrying on the business, and the increased business you brought there would have enabled them to reduce the yardage charge even more, if you had not this \$500,000 on which a profit had to be earned. It seems like it would necessitate a payment of profits on that half million dollars of watered stock, and that has got to come out of somebody, either producer or consumer, and if the yardage fees have not gone down, as they otherwise might have gone down, it must come out of the producers. Barring the question of profit in the stock yards, would it be just as satisfactory for you—for the live-stock producers—to own and operate the yards as for the packers to own and operate them?

Mr. ARMOUR. My position on the stockyards subject is that what we want—

The CHAIRMAN (interposing). Is the same degree of efficiency?

Mr. ARMOUR. We do not care who operates them, whether the railroads or somebody else operates them, provided they are operated efficiently.

The CHAIRMAN. There is no way in which the live-stock producers could abuse their operation of the stockyards any more than the packers could abuse their operations of them and hurt the live-stock men, is there?

Mr. ARMOUR. I do not know of any.

The CHAIRMAN. Have you ever considered making the effort to get the live-stock association interested in these stockyards?

Mr. ARMOUR. As an association?

The CHAIRMAN. Yes, sir.

Mr. ARMOUR. Why, no; we could not get them interested as an association. Anybody who wants to buy stock in any of the stockyards can buy it. It is open—the packers do not own them wholly; anybody can buy stock in the stockyards that wants to.

Mr. HENRY. Can anybody buy stock in the Maine corporation today and get a chance to have any control over the Chicago stockyards?

Mr. ARMOUR. I do not think they could in the Maine corporation, no.

Mr. HENEY. No. Mr. Armour, if a stockyard is being conducted by a corporation owned by people other than the packers, the efficiency of that stockyard in meeting the growing demands is going to depend upon its earning power, assuming, now, that the man who runs the thing has as much efficiency as the man who conducted them for the packers. They select some man; and they do not run it. Mr. Buckingham is president of the Omaha stockyards, but the railroad goes up there and Buckingham runs it?

Mr. ARMOUR. Yes.

Mr. HENEY. And Mr. Buckingham used to work for the yards company before Armour became an owner in it?

Mr. ARMOUR. No, sir.

Mr. HENEY. At any rate, if somebody else owned it now they could probably employ Mr. Buckingham at a salary he is now employed at?

Mr. ARMOUR. Oh, yes.

Mr. HENEY. And he would run it just as well for them as he can for you folks. Then the efficiency of the yards—

Mr. ARMOUR (interposing). I do not know whether he would or not, he might. It depends a good deal on who is back of a man running a stockyards company or running anything else, as you know. I do not say that he would not, but it depends a good deal on the running. For instance, I do not know whether Mr. Buckingham would run them as well if he worked for a railroad as he would if he worked for an individual. I doubt if he would; but, however, that is my opinion, which may not be worth anything.

Mr. HENEY. If you were president of that railroad, you would see that he did, Mr. Armour.

Mr. ARMOUR. I would probably try to, but I would probably not be able to see that he did.

Mr. HENEY. The ramifications of the railroad business are not nearly as great as the ramifications of Armour & Co., reaching into South America, England, and all over the United States, are they?

Mr. ARMOUR. No.

Mr. HENEY. And, as a matter of fact, as the president of the Katy road you could have handled the Hodge stockyards much easier than you can look after the minor particulars of the business of Armour & Co. to-day, could you not?

Mr. ARMOUR. Of course, that is my opinion; it may not be worth anything.

Mr. HENEY. But frankly, is not that so?

Mr. ARMOUR. I am trying to be frank.

Mr. HENEY. What road is it runs through there at Omaha, the Santa Fe?

Mr. ARMOUR. Oh, there is the Northwestern, the St. Paul, the U. P.—oh, lots of roads.

Mr. HENEY. If you were running any one of those roads, Omaha is a big enough place and important enough as a freight center that you know perfectly well if you were president of the road and the road owned this stockyard—

Mr. ARMOUR (interposing). President of what road?

Mr. HENEY. Any one of the roads that pass through and serve the stockyards, and you were resident there, you would have an efficient man?

Mr. ARMOUR. Yes, and every other road would be mad at me, too.

Mr. HENEY. Whether they would be made at you would not interfere with your seeing that it was done right?

Mr. ARMOUR. You are talking about a railroad running it. There are five roads running through.

What you are talking about, Mr. Heney, I hardly think can happen. I do not want to take up a whole lot of time explaining. You want to get through with me and the Lord knows I want you to. But you take the Union Pacific. Suppose that road owned the Omaha yards. It would be only natural that their cars would be set, they would get the benefit, if there is any benefit to get, in my opinion. The other roads might make an objection to it. I do not think it would work. If anybody is going to own the stockyards at Omaha, it should be the Government, or it should be some ownership that has no connection.

Mr. HENEY. A private corporation?

Mr. ARMOUR. Yes.

Mr. HENEY. Now, then, if it is a private corporation—

Mr. ARMOUR (interposing). You see what I mean?

Mr. HENEY. I see what you mean. If it were owned by a private corporation, and you were the president of it or you were the biggest owner in it, you would see to it that it was run efficiently, would you not?

Mr. ARMOUR. I would try to, yes.

Mr. HENEY. Then, in order to run it efficiently, the first thing you would need would be earnings?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And if a new plant came in, you would expect in the course of time to have to increase your yardage facilities?

Mr. ARMOUR. Yes.

Mr. HENEY. And you would want all the additional earnings you would get from the new plant coming in to put into a surplus when the time came to increase its yardage, would you not?

Mr. ARMOUR. Yes, sir.

Mr. HENEY. And if somebody else tried to bleed you out of that surplus, and if this new plant took over all that surplus by demanding as a condition of its coming in that it be given all that could be possibly figured ahead for the next 10 years, you would feel that they were not helping to make that yard efficient, would you not?

Mr. ARMOUR. I do not know just what you are getting at.

Mr. HENEY. I am getting at exactly what happened at nearly every one of these yards in the United States—is not that what happened?

Mr. ARMOUR. It has been a good investment for all the stockholders.

Mr. HENEY. That does not answer my question. It has made the yardage stay where it was for 30 years; it has required high prices for feed to earn the dividends that have to be paid on this watered stock; it has prevented the lowering of the yardage charges and of the feed charges.

Mr. ARMOUR. I do not think anybody can do the yardage business at any less than it is now done for, Mr. Heney.

Mr. HENEY. If the company is earning \$2,000,000 a year on a capitalization of \$40,000,000 of bond and stock, when, as a matter

of fact, \$13,000,000 is all that is in it, do you not think if the watered stock and bonds—

Mr. ARMOUR (interposing). You are referring to Chicago, now?

Mr. HENEY. Yes.

Mr. ARMOUR. Well, Mr. Heney, if you will take the trouble to see that the Chicago stock yards own—

Mr. HENEY (interposing). I will. I will come to that in just a moment.

Mr. ARMOUR. All right; go on.

Mr. HENEY. I am going to take up one or two other yards with you first. Have you used the power of Armour & Co. to force yards to go out of business that might be in competition with other yards you are interested in?

Mr. ARMOUR. I do not know of any.

Mr. HENEY. Do you know anything about the Hodge yards?

Mr. ARMOUR. About the Hodge yards, yes.

Mr. HENEY. Is it not a fact that in 1917 Armour & Co. and Swift & Co. joined together—first, is it not a fact that Armour & Co.—

Mr. ARMOUR (interposing). I think the Hodge yards did go out.

Mr. HENEY. Is it not a fact that Armour & Co. would not ship over the Katy unless they closed the yards at Hodge?

Mr. ARMOUR. The Hodge yards did go out of business, yes.

Mr. HENEY. Was it not because Armour & Co. refused to ship anything over the Katy Road unless they did?

Mr. ARMOUR. I do not know what the reason was. But I think they did go out of business.

Mr. HENEY. Do you not know that Armour & Co. and Swift & Co. joined together and told the Katy officials that they would not ship anything over the road unless they did close the Hodge yards; and that as a result of that negotiations took place which resulted in Armour & Co. and Swift & Co. agreeing to ship on the fast line on Tuesdays and Thursdays out of Fort Worth on the Katy Road as long as the charges of the Katy Road and the service were equal to that of the other roads?

Mr. ARMOUR. That is quite likely; I think that is probably so.

Mr. HENEY. And that Jersey City, the yards were being run by a man named Allerton, under a lease for some 25 or 30 years?

Mr. ARMOUR. Yes.

Mr. HENEY. Morris & Co., when that lease ran out in 1913, offered to pay \$50,000 a year rental for the yards to the Pennsylvania Railroad Co., did they not?

Mr. ARMOUR. I do not know that they did; I have heard they did, yes.

Mr. HENEY. Armour & Co. succeeded in getting the yards at \$25,000 a year.

Mr. ARMOUR. At the price Allerton was paying, yes.

Mr. HENEY. And Armour took Swift in with him on that deal, did he not?

Mr. ARMOUR. Yes; he gave him some interest there.

Mr. HENEY. And those yards paid a dividend of \$42,000 before you paid a dollar in, did they not?

Mr. ARMOUR. I do not know the figures, Mr. Heney, what they did do.

Mr. HENEX. They paid much more than has ever been put in, have they not?

Mr. ARMOUR. I do not know, Mr. Heney, what the figures are.

Mr. HENEX. I think I have it right here: Jersey City yards: In the first place, the stock of the Jersey City yards is \$500,000, and to-day J. Ogden Armour holds 63.38 per cent, Swift & Co. 18 per cent; is that about correct?

Mr. ARMOUR. I think so; yes.

Mr. HENEX. The company started operations in 1913 and did business six months before any capital stock was paid in—that is, before any money was paid in. At that time the earnings had amounted to enough to pay dividends of \$42,000. Do you recall as to that?

Mr. ARMOUR. I do not know the figures—I assume the figures are right.

Mr. HENEX. Then \$58,000 additional was paid in for stock, and, so far as can be found, this is the only amount that was paid into that company; is that correct?

Mr. ARMOUR. I assume that is correct.

Mr. HENEX. The 5,000 shares issued, at the par value of \$100 a share, making a total issued of \$500,000, and only \$100,000 was issued for cash; and of that \$100,000, \$42,000 may be fairly considered as a stock dividend, inasmuch as the \$42,000 was earned before anything was paid in, so that the stockholder, without paying anything in, would become a pro rata owner of the \$42,000 in cash—that seems to be clear—the balance of the \$400,000 represents no investment whatever. Is not that true?

Mr. ARMOUR. Of course, we do not own the yards, Mr. Heney.

Mr. HENEX. You own the company that has leased the yards.

Mr. ARMOUR. We do not own anything there.

Mr. HENEX. I am talking about this company that owns the yards, which had a capitalization of \$500,000.

Mr. ARMOUR. We do not own anything except the lease, that is all.

Mr. HENEX. The dividends for the four years, from 1913 to 1916, were as follows: \$42,000 in 1913, and for the next three years, \$100,000 in each year. The rate of the dividends, it will be seen, therefore, amount to approximately 200 per cent on the actual investment, and 20 per cent on the authorized issue of capital stock. Does that seem to be correct?

Mr. ARMOUR. Yes. I will be glad to give you a reason for that, if you would like to have it.

Mr. HENEX. Anything you care to give, Mr. Armour.

Mr. ARMOUR. During the war, you know, there were a lot of horses shipped through there, and I think that probably at the moment the stockyards are losing money; in fact, I know they are, because I asked the question before I left home.

Mr. HENEX. At the present moment?

Mr. ARMOUR. Yes; those large profits they were paying were during the year of the war, were they not?

Mr. HENEX. They started in 1913, and \$100,000 for 1914, 1915, 1916, and 1917.

Mr. ARMOUR. The increased profits were due wholly—the packers had nothing to do with the increased profits—it was due wholly to the shipment of horses and other live animals that were bought by the British Government, and I think that we can furnish you figures,

or, at least, I understand they have figures, that the packers' contributions toward those earnings were not any greater in those years than in the ordinary years; and if they had not had the war, which was an increased business we had nothing to do with—I mean all the increased profits, as I understand it, came from this increased business that was due wholly to the war.

Mr. HENEY. I want to call attention to another little thing that comes along with the ownership of stockyards: The Globe Rendering Co., you have heard of, at the stockyards, have you not?

Mr. ARMOUR. I have heard of it. We have no interest in it.

Mr. HENEY. You have no interest in it?

Mr. ARMOUR. I do not think we have; in fact, I know we have not.

Mr. HENEY. What is the company you are interested in? The rendering company in Chicago?

Mr. ARMOUR. I am not interested in any rendering company there.

Mr. HENEY. You are personally interested in one?

Mr. ARMOUR. Oh, that is the Darling Co.?

Mr. HENEY. Yes.

Mr. ARMOUR. But this company you are talking about rendering dead hogs—the Darling Co. does not render dead hogs. That is simply a straight fertilizer business.

Mr. HENEY. I want to ask you what the rendering company of the Chicago stockyards makes out of dead hogs from the Chicago stockyards, and whether or not that is a matter of economy in the interest of the producer and the consumer—it being run by—

Mr. ARMOUR. I have no interest in that.

Mr. HENEY (continuing). By the leading packer of the world.

Mr. ARMOUR. Who?

Mr. HENEY. Yourself.

Mr. ARMOUR. Mr. Henev, I have no interest—

Mr. HENEY (interposing). Oh, no; but you are running the stockyards, and without the interest in the stockyards that the Globe has, they could not have the monopoly.

Mr. ARMOUR. I do not understand that the stockyards have any interest in the Globe Co. at all.

Mr. HENEY. No; but the Globe Co.—

Mr. ARMOUR (interposing). In an effort to get through, I will agree with you.

Mr. HENEY. The Globe Co. gets the opportunity to make that through this company—I will show you that in a moment, and that profits, certainly, if you don't know about that, you ought to know, because you are interested in getting these yards down where it would lower the charges for feeding and other things by not letting the producer be robbed in this way, because if he only gets a dollar for an animal that is worth \$3 just outside the fence, and he has no option in the matter, but must take his \$1, he is being robbed out of \$2.

Mr. ARMOUR. It is all very well to show this, and I am perfectly willing to have you show these things to me, but conditions during the war have—it may be rightly or wrongly—I am not taking the position it is right or wrong—but earnings of a great many companies during the war—

Mr. HENEY (interposing). I am not going to talk about the war.

Mr. ARMOUR. All right, then. I really do not know what they are. I understand that that is a very profitable company.

Mr. HENEY. Every one of them is very profitable at every one of these yards.

Mr. ARMOUR. Yes.

Mr. HENEY. And the new scheme is to make every packer who gets into the yards sign a contract that he give all the dead animals to whoever is designated by the officer of the stock yards; that is true of the stock yards company at St. Paul, where Swift and yourself own it, and it is embodied in a written contract in the records. Every packer who gets a contract in the yards has to sign this agreement and the commission men have to sign it, that they will turn over these animals to a party designated by the stock yards company, and then they designate a company that they own themselves, and thus make the outrageous profits.

Take this Globe Rendering Co. at Chicago. It is controlled by the Morrisises. The Morris interests own 11,381 shares, the Armour interests 2,000 shares, and the Swift interests 4,643 shares.

Mr. ARMOUR. Who is that?

Mr. HENEY. The Globe.

Mr. ARMOUR. An the Armour interests own——

Mr. HENEY. The Armour interests own 2,000 shares.

Mr. ARMOUR. I do not think that is correct.

Mr. HENEY. Then it must be some of your high-salaried officers who own it. It will appear who it is, as we have a record of the stockholders.

And the Wilson interests own 1,300 shares, leaving scattered holdings of 674 shares.

The schedule returned by the company shows that of the \$2,000,000 outstanding only \$200,000 was issued for cash. The balance—\$1,800,000—was given to the stockholders—issued against "property." It has not been the policy of the company to build up large surplus. In the schedule, as returned, real estate, machinery and fixtures, motor trucks, and inventory all appear under these heads in the statement of resources and liabilities as of date of December 29, 1917. Aside from these, the statement of resources has an item listed as "property." The amount of which is \$1,835,191.93. A letter was sent to the Globe Rendering Co. for a statement of what was represented by this "property" item. Under the date of June 3, 1918, the company replied:

The "property" item shown in our statement, amounting to \$1,800,000, represents good will, and does not include any tangible property.

On the books of the board of assessors of Cook county, as of May 1, 1917, the land of the Globe Rendering Co., is carried at \$32,652; improvements on land, \$1,800; and personal property, \$3,500; or a total of \$41,956 for total real estate and personal property. These are the figures on full value. The company has acquired real estate costing \$66,627 since May 1, 1917. On the books of the company the real estate is carried at \$77,534.10; the buildings at \$1,171.26; and machinery and fixtures, \$66,517. It is clear that the \$200,000 paid in was enough to cover land, equipment, and a sufficient amount of working capital. The greatest asset of the company is undoubtedly the contract for the monopoly of dead animals, although that is not listed in its statement of resources. It seems evident that the capital was increased to make dividends declared seem smaller.

Now, that contract is with the Stock Yards Co.?

Mr. ARMOUR. Yes.

Mr. HENNEY. The record of earnings and dividends for the past five years, which carries us back before the war, is as follows:

	Earnings.	Per cent on—		Dividends.
		Cash paid in.	Paper capital.	
1913.....	\$134,370.88	72	7.2	\$140,000.00
1914.....	101,201.43	51	5.1	60,000.00
1915.....	86,517.13	43	4.3	120,000.00
1916.....	148,160.38	74	7.4	140,000.00
1917.....	222,394.82	111	11.1	140,000.00

Average dividend for these five years, \$120,000, which is 60 per cent on amount paid in and 6 per cent on paper capital.

On May 22, 1918, the Federal Trade Commission wrote for that information, and here is your letter in reply:

CHICAGO, June 3, 1918.

Mr. FRANCIS WALKER,

Federal Trade Commission, Washington, D. C.

DEAR SIR: In reply to your letter of May 22, wish to say that on September 14, 1917, we acquired from the Union Rendering Co., 444.18 acres farm and pasture land surrounding plant, at a total cost of \$66,627. No new buildings have been erected on this property.

The "property" item shown on our statement, amounting to \$1,800,000 represents good will and does not include any tangible property.

Yours, truly,

GLOBE RENDERING Co.,
PAUL A. DETT, *Secretary*.

Now, the Union Rendering Co. at Omaha, has a similar record. That is controlled and operated by the Swifts, who own about half of the stock, the balance being divided between the Armour, Morris, and Cudahy interests. For 1912, the net profits were \$14,636.34. There was only \$20,000 ever actually paid in to that company. I do know, that it does not take a large capital for a rendering company.

Mr. ARMOUR. No.

Mr. HENNEY. The plant does not amount to much.

The percentage of profit on the \$20,000 was 73. In 1913, the net profits were \$14,542.39; percentage profit, 72. In 1914, net profits, \$7,745.93; percentage profit, 39. In 1915, net profits, \$13,403.75; percentage profits, 67. In 1916, net profits, \$16,140.63; percentage profit, 80. Now, there is just one other that I want to call attention to. The Iowa Rendering Co., which is at Sioux City, has a monopoly of all the dead animals at the Sioux City yards. This company is capitalized at 250 shares of \$100 each, all paid in in cash. Of this capitalization Swift interests own 126 shares, one more than half, the balance is equally divided between Armour and Cudahy interests. These are the three packers who have slaughtering plants at Sioux City. The management is in the hands of Swift interests. As bear-

ing on profits earned, two letters found in the files of Swift & Co. in regard to the Iowa Rendering Co. follow:

CHICAGO, July 20, 1917.

Mr. EDWARD F. SWIFT,
Second floor.

Referring to the attached.

You and Mr. Louis F. Swift each own 31 shares—par value \$100.

Dividends have been paid by the company, recent years as follows:

January, 1916, special dividend, 50 per cent.

November, 1916, special dividend, 50 per cent.

Year 1916, regular quarterly dividend, 20 per cent per annum.

April, 1917, special dividend, 50 per cent.

January, 1917, regular quarterly dividend, basis 20 per cent per annum.

April, 1917, regular quarterly dividend, basis 20 per cent per annum.

Will it be satisfactory to you to pay special dividend of 50 per cent?

WM. B. TRAYNOR.

IOWA RENDERING Co., CAPITAL STOCK TAX,

CHICAGO, ILL., July 21, 1917.

Mr. R. F. MURRAY,
Secretary, the Sioux City Stock Yards Co.,
Sioux City, Iowa.

DEAR SIR: Replying to yours of the 18th instant, in regard to the Iowa Rendering Co.:

If the rendering company made an average of 63 per cent per year for five years from their rendering operations, it would be correct to consider the fair value of the capital stock at \$630 per share and make your return on this basis.

Yours, truly,

L. F. SWIFT.

That was so that the earnings would not be too high on the capital stock and pay a large tax, Senator Gore.

Mr. MAYER. How is that?

Mr. HENRY. That was so that the earnings would not appear to be so large upon the capital, and so that it would reduce the tax that was to be paid.

Mr. MAYER. Would not the one who received it have to pay it?

Mr. HENRY. Oh, but by putting it on the basis of \$200 per share, whereas it was only \$100 per share, they did not appear to earn so much.

Mr. MAYER. But they had to pay on their capital.

Mr. HENRY. This letter is headed "Iowa Rendering Co. capital stock tax."

Mr. MAYER. Was that the income tax?

Mr. HENRY. I do not know which tax it was.

Mr. MAYER. What was the capital stock?

Mr. HENRY. The capital stock was \$100 a share, and then they put it at \$630.

Mr. MAYER. Two hundred and fifty shares?

Mr. HENRY. Yes.

Mr. MAYER. That would be \$25,000.

Mr. HENRY. The following letter from Wm. McGivney, Swift stockyard manager at St. Paul, and former yard manager at Sioux

City, to L. F. Swift, furnishes a good picture of the prosperity of the Iowa Rendering Co.:

ST. PAUL UNION STOCK YARDS Co.
South St. Paul, Minn., May 7, 1917.

Mr. LOUIS F. SWIFT,
Union Stockyards, Chicago, Ill.

DEAR SIR: Answering your favor of the 1st instant, relative to my stock in the Iowa Rendering Co. at Sioux City. Inasmuch as this stock earned \$116 a share last year and is going stronger than that so far this year, I have not been looking very hard for a buyer. I gave several years of work to that institution when I was in Sioux City with the idea that I would help build up something that would be profitable to be in later years. I would therefore not care to dispose of my stock unless I could get enough for it so that the money invested in some other direction would bring me returns somewhere near commensurate to the returns I am getting now. I have 175 shares of St. Paul Union Stockyards Co. stock which earned last year about \$2,537.50. My 37 shares of Iowa Rendering Co. stock earned last year \$4,292. I will put these two together in an offer at \$45,000. This offer is subject to prior sale of any part, and in any event will be good only until May 15.

Yours, respectfully,

WM. MCGIVNEY.

I am not going to spend any more time on that; I want to go to the next thing.

Now, Mr. Armour, among the yards that Armour & Co., or you individually, own an interest in, are the Chicago, Fort Worth, Jersey City, St. Paul, Sioux City, Omaha, and St. Louis, and the total investments that appears in those, on the face of them, as stock value, is \$6,843,900, but of that \$4,501,320 was a gift to you. Do you know whether that is correct, without giving the details?

Mr. ARMOUR. I do not know but that is correct, Mr. Heney.

Mr. HENNEY. First, the Chicago Stock Yards—the main company—your investment in that was \$194,000.

Mr. ARMOUR. In the main company?

Mr. HENNEY. Total investment; and it was increased \$8,000,000, which increased your \$194,000 to \$1,552,000 face value, par value of your stock. That is correct, is it not?

Mr. ARMOUR. The capital stock was increased, yes, but I do not consider it a gift, because the value was there.

Mr. HENNEY. Well, I will take that up more in detail in a moment. Fort Worth, \$956,700, which includes \$666,000 in stock and \$300,000 in bonds. Now, when you and Swift went into that company at Fort Worth, how much stock did it have out, do you know?

Mr. ARMOUR. I do not know, Mr. Heney; I do not remember.

Mr. HENNEY. You and Swift together acquired the stock that was outstanding?

Mr. ARMOUR. Yes. I bought the stock, yes.

Mr. HENNEY. It must have had some \$600,000 of bonds out?

Mr. ARMOUR. I do not remember; I don't know.

Mr. HENNEY. You got some \$300,000 of bonds, possibly?

Mr. ARMOUR. I don't know.

Mr. HENNEY. There was a plant there?

Mr. ARMOUR. Yes, but the plant that was there was a very poor one.

Mr. HENNEY. Well, such as it was, there was a plant?

Mr. ARMOUR. Yes, sir.

Mr. HENNEY. And it was operated for some time?

Mr. ARMOUR. Before we got there.

Mr. HENNEY. And it made some considerable earnings. Earnings last year were more than \$500,000 net, were they not?

Mr. ARMOUR. Somewhere in that neighborhood, I think.

Mr. HENNEY. That would be interest on a pretty good-sized amount of money, would it not?

Mr. ARMOUR. Yes, but it is a large place; they do a large business.

Mr. HENNEY. But that is a dividend on a much larger amount of money than was ever invested down there. At 5 per cent it would be—

Mr. ARMOUR. It would be on \$5,000,000.

Mr. HENNEY. There is not any such investment there?

Mr. ARMOUR. I would think so.

Mr. HENNEY. Actual money invested?

Mr. ARMOUR. I would think pretty near that, yes. I would think so. I think I testified at the other hearing that there was an appraisal of the stockyards at Omaha by the utilities commission out there, and they appraised it at more than the value of the stock and the bonds.

Mr. HENNEY. Well, the stock and the bonds do not run up to \$5,000,000, do they?

Mr. ARMOUR. At Omaha.

Mr. HENNEY. Oh, at Omaha?

Mr. ARMOUR. I said they were appraised, and I do not think it is any different down there, Mr. Henney. I would say that the value is there.

Mr. HENNEY. I am talking about investment, Mr. Armour; I am not talking about values. The value may have been increased by the very fact that the two plants that went there may have increased, as real estate, many fold, but what was the investment? Do you mean to say there is any \$5,000,000 actual cash put into the Fort Worth stock yards?

Mr. ARMOUR. I do not know, but when you talk about investment and values, I can not figure that it is very much different there from a man buying a piece of property here 20 years ago. You might have bought it very cheap, and to-day it might be worth a great deal of money.

Mr. HENNEY. I would not be interested in that; I would want to know how much he invested 20 years ago. This was not invested 20 years ago, and I want to know how much was invested in this, actual cash, if any.

Mr. ARMOUR. I do not know, Mr. Henney. I want to answer your question—

Mr. HENNEY. If you do not know you can not answer it.

St. Paul, \$600,000—\$500,000; let us omit the \$600,000. Do you think their increasing that capitalization to \$500,000 without any additional money being put in put that stockyards company in a position to give more efficient service by meeting growing demands on its earnings without raising the profit on feed and on yardage charges?

Mr. ARMOUR. The stockholders of the stockyards thought it was to their interest to do it.

Mr. HENNEY. The stockholders of the stockyards? You mean those who control the stockyards, do you not?

Mr. ARMOUR. No; I mean just what I say, the stockholders of the stockyards.

Mr. HENNEY. You mean they unanimously voted on it?

Mr. ARMOUR. Yes, sir; so I understand.

Mr. HENNEY. Do you think it aided the consumer or the producer any to have that additional water in there?

Mr. ARMOUR. Oh, I do not think that the additional water amounts to anything. I do not think it makes any difference to the producer or the consumer.

Mr. HENNEY. All right. Now, let us take up the Chicago Stock Yards, and get at that. Prior to 1890 and before the New Jersey corporation was organized—that was the year in which it was organized—the Chicago Stock Yards were controlled by certain gentlemen who owned the New York Central Railroad, or controlled it—the Vanderbilts and others—

Mr. ARMOUR. What year was that?

Mr. HENNEY. Prior to 1890. Is not that correct?

Mr. ARMOUR. Why, I assume it is. I do not know, and I assume that everything you say is correct.

Mr. HENNEY. During the time they owned it, did Armour & Co. get any bonus or subsidy of any kind from them?

Mr. ARMOUR. Are you talking about from 1890 on, or what?

Mr. HENNEY. Prior to 1890, before Mr. Prince organized the New Jersey holding company.

Mr. ARMOUR. You mean previous to that?

Mr. HENNEY. Yes.

Mr. ARMOUR. How far back?

Mr. HENNEY. Any year, as far back as you want to go.

Mr. ARMOUR. Why yes; it is a well-known fact that the packers made an arrangement 30 years ago with the Union Stock Yards—that is what you refer to, is it not?

Mr. HENNEY. Yes. What was the arrangement?

Mr. ARMOUR. I do not know. You probably know all about it.

Mr. HENNEY. No; I do not recall as to that prior arrangement.

Mr. ARMOUR. I do not know, Mr. Henney. When I say I don't know, I mean that I don't carry those things in my head. In fact I doubt if I know about that; it was before my time.

Mr. HENNEY. They got a substantial sum, did they?

Mr. ARMOUR. I understand so.

Mr. HENNEY. That was before the New Jersey company was organized? I am not talking about this Tolleston deal.

Mr. ARMOUR. Oh, you are not?

Mr. HENNEY. No.

Mr. ARMOUR. I am referring to the Tolleston deal.

Mr. HENNEY. I want to know before the Tolleston deal, when the Vanderbilts owned the yards.

Mr. ARMOUR. Before the Tolleston deal?

Mr. HENNEY. Yes.

Mr. ARMOUR. I do not think they ever got any before the Tolleston deal.

Mr. HENNEY. I do not think so either. As far as I know, they did not.

Mr. ARMOUR. If they did, I do not know anything about it.

Mr. HENEY. Vanderbilt was reputed to have some money?

Mr. ARMOUR. I think so, yes; that was the general supposition.

Mr. HENEY. And as long as he and his family owned the yards, there was no attempt on the part of the five big packers to secure a subsidy or bonus of any kind for remaining in Chicago, was there?

Mr. ARMOUR. Now, Mr. Heney—

Mr. HENEY. You see what is coming, of course.

Mr. ARMOUR. I see, of course, what is coming; at least, I think I do, and I do not date back as far, perhaps, as you think I do. I can not answer a lot of questions previous to—

Mr. HENEY. You had been with Armour & Co. seven years then, you know; 1890 was the time this change took place.

Mr. ARMOUR. Yes; but I have found it takes more than 7 or 10 years to learn Armour & Co.'s business, and that part of it I would not have known anyway.

Mr. HENEY. All right, if you do not know anything about it.

Mr. ARMOUR. You know I do not.

Mr. HENEY. I am satisfied, Mr. Armour, that you have been trying to be very frank in your answers, and I am glad to say so. In 1890 the stockyards acquired, or control of them was acquired, by a corporation which I refer to as the New Jersey corporation, instead of using these long names.

Mr. ARMOUR. Yes, sir.

Mr. HENEY. The New Jersey corporation, of which Mr. Prince, of Boston, as private banker up there, was a promoter. At the time that occurred, the capital stock of the Illinois corporation that had the original charter there, was \$13,200,000. This New Jersey corporation was formed with a capital stock of, common stock, \$6,500,000, preferred stock \$6,500,000, 6 per cent preferred, and a bond issue of \$10,000,000 with which to buy the control or the common stock that was outstanding of the original company. That ran up to \$23,000,000. Now, are you familiar with the operations of that company sufficiently to know that to be a fact?

Mr. ARMOUR. No; I can not say I am, Mr. Heney.

Mr. HENEY. Now, at the time that was done, Mr. Prince, according to his statement to me, received a bonus of \$1,500,000 of common stock of this New Jersey holding company.

Mr. ARMOUR. That was in 1890?

Mr. HENEY. In 1891 that was finally consummated.

Mr. ARMOUR. I do not know a thing about that, Mr. Heney; in fact, I did not know it; that is all new to me.

Mr. HENEY. That increased it to \$23,000,000 that the yards out there would have to earn in yardage and shifting charges; they had no other source of income, with the exception of the manufacturing district, which was not bringing in enough to amount to anything, as you know.

Mr. ARMOUR. I do not think it was there then, was it?

Mr. HENEY. No, I do not suppose they had the land there then.

Mr. ARMOUR. I do not know when they acquired the land, but I would guess they did not.

Mr. HENEY. They purchased that later. Jumping that from \$13,200,000 to \$23,000,000 was not calculated to improve the chances of the company operating efficiently in the way of meeting growing

demands, because they were not getting any new packing plants at that time. This was just a change of control, wouldn't you say?

Mr. ARMOUR. I do not know that I would pass upon that at all, Mr. Heney, because I really do not know anything about that. It was before my time.

Mr. HENNEY. At that time Armour, Swift, and Morris demanded of the New Jersey company that they be given \$4,000,000.

Mr. MAYER. Was it \$4,000,000 or \$3,000,000?

Mr. ARMOUR. Three.

Mr. HENNEY. They only demanded four; they got three finally.

Mr. MAYER. I never knew they took less than they demanded.

Mr. HENNEY. Well, they did; they were running a bluff. They had acquired some land at Tolleston, Ind., about 25 miles from Chicago, and they threatened to move to Tolleston, Ind. Their plans, at that time, in 1890—the Armour plant was not to be compared with what it is to-day, in the way of an investment?

Mr. ARMOUR. In 1890?

Mr. HENNEY. Yes.

Mr. ARMOUR. Oh, I do not know; it was not so large as it is to-day.

Mr. HENNEY. It was pretty substantial, though?

Mr. ARMOUR. Oh, yes; quite substantial.

Mr. HENNEY. The five big packers together must have had an investment of \$50,000,000 in their plants at that time, would you say?

Mr. ARMOUR. Oh, I do not know how much; there was a large investment there.

Mr. HENNEY. Now, the claim was resisted, but they finally agreed, and there was a good deal of discussion among the lawyers as to how they could do it without getting into trouble with the Government as being a rebate, because the Chicago Transit Co. had a railroad connected with it. They finally agreed on \$3,000,000 of income bonds to be given to Armour, Swift, and Morris, so that jumped their capitalization up to \$26,000,000. These income bonds for 5 per cent were payable before any dividends on any common stock were payable, which made it a certainty that the interest would be paid.

Senator NORRIS. As you go along, I would like to know whether Mr. Heney's statement is correct. Mr. Armour is testifying. Is that right, or is it not?

Mr. ARMOUR. I do not know. I assume that everything that Mr. Heney says is the truth, the same as I have always assumed since I have been here. I only know—I do not know the details of that. Generally speaking, I know that was done. I had only been in the business a few years at the time, and I had nothing whatever to do with it personally. That is not changing the situation; I am only telling you the facts. I was only a very young man then, I was learning the business, but I know in a general way that was done. I assume the figures you give are correct. Does that answer your question, Senator?

Senator NORRIS. Yes.

Mr. HENNEY. These figures are taken from the books of these companies by the experts of the Federal Trade Commission.

Senator NORRIS. You were making quite a long statement. Mr. Heney, and Mr. Armour had not said anything in regard to it, and I wanted to know whether he acquiesced in it or whether he did not.

Mr. HENEY. Now, in addition to that, Mr. Armour, the New Jersey Co. gave bonuses to each of the other, or most of the other, packing plants there—not all of them, but some of the others—amounting altogether—I have not those figures right here, but it is something over a million, maybe a million and a half in the aggregate.

Mr. ARMOUR. Yes, sir. I do not know anything about that—I mean the figures.

Mr. HENEY. Now, these bonds bore interest, and the original plan was to have them paid off in 15 years, and that was the agreement, and that the packers were to remain in Chicago for 15 years.

Senator NORRIS. Do you know anything about that, Mr. Armour?

Mr. ARMOUR. There was an agreement in existence.

Senator NORRIS. What did they give you this for?

Mr. ARMOUR. The contract will show.

Senator NORRIS. In consideration that you would not move?

Mr. ARMOUR. In consideration that we would stay there, that we would not move. Is that correct, Mr. Heney?

Mr. HENEY. Yes. There was a piece of land there worth about six bits, talking from Mr. Armour's standpoint—well, it was about \$100,000 that was put in there by the attorneys to try and meet the situation that might possibly arise later.

Mr. ARMOUR. Of course, as a matter of fact, Mr. Heney, you know that land that they took over is where Ferry is now, and very valuable now.

Mr. HENEY. Yes, but that was not expected at that time.

Mr. ARMOUR. Oh, I do not know. It is pretty hard to tell what a man may expect. However, it is very valuable now.

Mr. HENEY. Yes, but it did not cost over \$100,000 at that time.

Mr. ARMOUR. All right.

Mr. HENEY. I won't say positively that it did not, but that is my recollection of the figures, that it was worth about \$100,000.

Now, this was putting the additional burden upon their Chicago stockyards of earning the interest upon the principal of \$3,000,000, in addition to the interest upon the \$10,000,000 of bonds, that were out, and in addition to that, the money which had been used to buy the stock of the original company, and also the \$6,500,000 at 6 per cent preferred stock, and the \$6,500,000 of common stock—all calculated to keep up the yardage charges and the profits on feed, in order to pay it, and also to keep up the switching charges, because from those three sources only could they get any money to pay this interest on the bonds, and these dividends on this principal stock. That is correct, is it not, Mr. Armour?

Mr. ARMOUR. It was done, yes—I assume it was done.

Mr. HENEY. The 15 years expired July 1, 1907, and by that time, Mr. Armour, you were at the head of the concern, were you not?

Mr. ARMOUR. Yes.

Mr. HENEY. When that was up, what did you do about the question of whether you could get any more income from the stockyards?

Mr. ARMOUR. We talked about it.

Mr. HENEY. You appointed a committee, and they negotiated and negotiated for a number of years?

Mr. ARMOUR. Yes, and nothing came of it.

Mr. HENRY. And you were claiming—

Mr. ARMOUR. I say, nothing came of it.

Mr. HENRY. Wait a minute; we will see. You claimed they should give you at least as much as the \$3,000,000 with interest was amounting to, to wit, \$200,000 year, to be divided among Armour, Swift, and Morris, as a subsidy for remaining there—or more than that; you were contending for at least that much in these negotiations, were you not?

Mr. ARMOUR. I do not know what they were, but there were negotiations.

Mr. HENRY. You were contending they should continue to give you as much as they had been giving you during the preceding years, or an increase on it?

Mr. ARMOUR. I assume so.

Mr. HENRY. Now, then, in 1910, to meet the objection of their lawyers that it might be treated as a rebate—

Senator NORRIS. Was this paid?

Mr. HENRY. No, it was gathering.

Senator NORRIS. All right; go ahead.

Mr. HENRY. In 1910, to meet the contention of the attorneys for the New Jersey company that the courts might declare it a rebate, you agreed that you would have a test case, known as the Felzer case, and that Felzer, who had been ordered by the Department of Agriculture to tear down his plant as insanitary, and replace it, should be given \$50,000 cash by the yard company—the original company—the terminal railroads being operated by a separate corporation, and having a lease, and paying two-thirds of its net profits to the original company, and the stock of both companies being owned by the New Jersey corporation—that the stock yards company was to give a bonus of \$50,000 to Felzer, your attorneys were to go before the Interstate Commerce Commission and thrash the question out in an amicable arrangement between the New Jersey company and Felzer. Felzer acting for the big packers, in reality, and take it to the Commerce Court and from there to the Supreme Court of the United States. That was done, was it not?

Mr. ARMOUR. Yes, sir.

Mr. HENRY. And the Commerce Court held that it was all right to do it, and it was not a rebate. Do you remember that?

Mr. ARMOUR. I do not remember what the decision was.

Mr. HENRY. But the Supreme Court of the United States reversed them and said it was, and that the New Jersey company, holding all the stock of both companies, and the Junction Railroad Co., having a lease and paying two-thirds of its profits—that in reality it was giving weight to form instead of substance to say that that was not a rebate from the railroad company.

After the matter had gone to the Commerce Court, Mr. Prince worked out another plan and put it up to you and Swift and Morris, and his plan was that he would organize a separate corporation, called the Maine Co., that he would have that company acquire the common stock of the New Jersey holding company, and that he would divide the stock of that Maine corporation in such a way

that the income of Swift, Morris, and Armour would amount to substantially the same thing as was being paid them during the 15 years from 1891 to 1907, under that old arrangement, and pay them what would have come to them during those additional years between 1907 and 1911, the time this arrangement was fixed up, and they figured it as some \$400,000 then due as having accumulated. Is that correct?

Mr. ARMOUR. No. Do you want me to explain? May I interrupt you?

Mr. HENEX. Yes.

Mr. ARMOUR. I understand that you say that Mr. Prince came out and reorganized the stockyards, and offered Swift, Armour, and Morris an interest which would be equivalent to—or any interest at all in the stockyards?

Mr. HENEX. I will try to state it more briefly. What I say to you is this: Prince came to you with this proposition, that instead of the New Jersey company—

Mr. ARMOUR. To me or the packers?

Mr. HENEX. To the packers.

Mr. ARMOUR. Yes.

Mr. HENEX. And he came to you personally.

Mr. ARMOUR. Yes, sir.

Mr. HENEX. But he also went to Swift and Morris, either directly or through some one.

Mr. ARMOUR. Yes.

Mr. HENEX. And made this proposition—no; I will withdraw that. He went to you and made the proposition and then was going to explain it to the other packers afterwards. This first proposition to you was this: That you and he would acquire a majority of the common stock of the New Jersey company; that he did control 20,000 odd shares; that you and he should acquire 13,000 shares jointly—

Mr. ARMOUR. Yes.

Mr. HENEX. Each of you to have one-half of them, and buy them at \$160 a share, which would make a total investment of \$2,080,000; that he would organize another corporation—

Mr. ARMOUR. In Maine.

Mr. HENEX. In Maine. That he would have that corporation issue stock; that you and he would get your prorata share in that according to the plan which he had outlined—

Mr. ARMOUR. Yes.

Mr. HENEX. Which I have not got the full details of now as to how you were to get your share in that for the money invested in the common stock, but that the balance of the stock of the Maine corporation would be divided among Armour, Swift, and Morris in the proportions in which they had been receiving the \$3,000,000 of bonds from the New Jersey company.

Mr. ARMOUR. No; that is not correct. Do you want to know what did happen?

Mr. HENEX. Before you state what it was, I would like to read into the record, so that you will have it before you, a statement taken from the private books, the safe-deposit books, of F. H. Prince, in Boston, of which there are the stenographic notes, together with a

typewritten transcript of the notes that was in the box also, and which hears as follows:

Proposition:

	Shares
F. H. Prince owns.....	20,500
F. S. M. Co. bought at 160 per share (of which Armour is to take one-half this 6,250 shares—balance to Prince).....	12,500
F. S. Moseley bought additional (all of this goes to Prince).....	700
Moseley is to get additional (which is to be divided one-half to Mr. Armour and one-half to Prince).....	350
Total.....	34,200

Mr. Prince is to borrow on Mr. Armour's stock—Mr. A. to put up margin necessary.

Scheme: Capital stock is 65,000, 8 per cent common; 65,000, 6 per cent preferred.

Mr. Prince claims that he and his friends control most of the preferred stock that can be counted on to vote, and he and Mr. Armour will control the common stock.

Mr. Prince contemplates organizing a new corporation with 8,000,000 8 per cent capital stock; to secure the lease of the yards and railroads for the new company at an agreed rental equal to dividend and interest. Get contracts from packers and give them (big three) 4,400,000 of above 8 per cent stock for same. This will give them in dividends about what they are entitled to under present arrangement to pay arrears in cash—to give holders of 65,000 common stock who agree to proposition a bonus of land company's stock (Central Manufacturing District) on a basis of 3 per cent dividend on 65,000 shares, value about \$40 per share, so as to give the holders 11 per cent instead of 8 per cent as at present. This will leave in the treasury of the new company 3,600,000 stock accruing to the promoters.

Earnings of company year 1909.....	1,978,399.66
Interest on bonds.....	720,169.89
Dividend.....	910,000.00
3 per cent guarantees on 6,500,000.....	195,000.00
	<u>1,825,169.89</u>

Due on contract about.....	153,220.77
Additional surplus.....	400,000.00
	<u>100,000.00</u>
	653,220.77

Applicable to 8,000,000 stock.

Our share of promoters' profit to be in proportion of our holdings 6,500,000 35,500.

Now, did Mr. Prince make that proposition to you in substance at any time?

Mr. ARMOUR. No. I can answer that by saying that that may be what he started out to do. I can tell you what he did, if you will allow me just a minute.

Mr. HENEX. If he made any proposition before he carried out—

Mr. ARMOUR. No, he did not. What he did, he came to me and wanted to know if I would take a fifth interest in the stockyards and he outlined that he was going to go out and buy these other shares at 160. He wanted to know if I would take a fifth interest in it. At that time I had no interest whatever in the stockyards, and he had a large interest. I told him I would, and he went along and perfected his organization, and I took a fifth interest for Armour & Co. My understanding then when he came to me and my understanding now is that there is no other packer whatever who has an interest in the Chicago stockyards. That is my understanding. And

when I took the fifth interest in the stockyards, he came to Armour—and you can understand the thing right on the fact of it; it is very plain. I presume Mr. Prince thought if he could get Armour settled at the stockyards that was all he wanted, the same as he might have gone to Swift or he might have gone to somebody else, but the actual fact of the case is, I presume, that he knew me and he came to me. I presume that is a letter that he wrote to himself—

Mr. HENEY. That is not a letter; it is a memorandum.

Mr. ARMOUR. I presume that it is a memorandum that he wrote to himself, and I have no doubt that he had that in his mind. I do not know what was in Mr. Prince's mind, but I can tell you what actually happened. I know there was in your mind—when you went over this you naturally thought, and I guess that you had a right to think, that Swift and the rest of the packers had an interest. But the fact of the case is this: When he came to me and when he got Armour tied up he did not care anything about the other packers. If he had had Swift tied up he would not have cared anything about the other packers. Why he came to me I do not know; I presume why he came to me was because he was a friend of mine.

The facts of the case are that Armour & Co. own a fifth of those bonds, acquired that way, by buying these other shares up through Moseley. And now, my understanding is—and you do not have to take only my word for it, because you can easily ask Mr. Prince; but my understanding is, and I understand that Mr. Swift has testified before the other committee, and I read it in the testimony, although he can speak for himself—that he has no interest in those yards. My understanding that Armour & Co. have an interest in the yards, and he or his associates—who they are I do not know; I only know Mr. Prince—have the other four-fifths interest. Those are the facts of the case.

What he started to do, Mr. Heney, I do not know; I only know what he did.

Mr. HENEY. Let us analyze the situation a little. In 1910 the suit was brought, the Felzer suit, to determine whether or not they could give this to you. At that time Armour, Swift, and Morris each had a member of a committee meeting with the attorney for the New Jersey company—

Mr. ARMOUR. Of course, the decision of the Supreme Court—

Mr. HENEY. Pardon me a moment. This deal was pulled off before the Supreme Court decision occurred, Mr. Armour. That is the point of this.

Mr. ARMOUR. May I interrupt you? I am stating to you what the facts are to-day. I do not know what was in Mr. Prince's mind.

Mr. HENEY. All right. I won't try to get at what was in Mr. Prince's mind from you. I want to get at what was in your mind.

Mr. ARMOUR. All right, sir.

Mr. HENEY. You had a representative meeting with the representatives of Swift & Morris, along with the representative of the New Jersey company, negotiating for the New Jersey company to give you a continuance of the subsidy these three companies were getting?

Mr. ARMOUR. And they never got it.

Mr. HENEY. What I am concerned about now is that you were negotiating.

Mr. ARMOUR. Yes.

Mr. HENNEY. And Mr. Prince was one of the committee representing the New Jersey company in those negotiations, was he not?

Mr. ARMOUR. Oh, I guess he was; I don't remember.

Mr. HENNEY. Now, would it be faith for Swift, while you thought these negotiations were awaiting the determination of the Felzer case, and that you were going to be treated on an equality with Morris and himself—

Mr. ARMOUR. Are you talking now about good faith on my part?

Mr. HENNEY. Yes; that is what I am coming to.

Mr. ARMOUR. I do not know that the question of good faith enters into it at all.

Mr. HENNEY. That is what I want to get at.

Mr. ARMOUR. I am telling you what the facts are, and I am telling you just what the facts are. The facts are as I have told you. Armour & Co. own a fifth interest in the stockyards. Mr. Prince tells me, and Mr. Swift tells me, that nobody else owns them.

Mr. HENNEY. Does Mr. Swift tell you that he was not promised a share in this Maine corporation?

Mr. ARMOUR. I never asked him.

Mr. HENNEY. I suggest that probably it might be well to ask him.

Mr. ARMOUR. Why would I ask him?

Mr. HENNEY. Why did you ask him this other, or did he volunteer this information?

Mr. ARMOUR. Mr. Prince always told me that he had no interest. If I said that I asked him, I may have been wrong about that. I saw by his statement yesterday or the day before yesterday that he had no interest, and I knew he had no interest before that.

Mr. HENNEY. To be perfectly frank, I am perfectly well satisfied that he has not an interest, but I am equally well satisfied, in fact better satisfied, that he was promised an interest. I find that from the treasurer of the company himself, who tells me that it was promised, and that they threw him down at the last minute. That is Mr. Waddon.

Mr. ARMOUR. Do not interrogate me on that point, please.

Mr. HENNEY. I am not going to. I am only interrogating you as what lead up to this.

Mr. ARMOUR. I am only telling you, Mr. Henney, the facts in the case, and I have tried to tell it all to you.

Mr. HENNEY. All right, Mr. Armour. Maybe I can refresh your memory some.

Mr. ARMOUR. If you can, all right.

Mr. HENNEY. At the time Mr. Prince came to you, which was in 1911, early—in fact, let us see if it was not earlier than that [referring to papers].

Mr. ARMOUR. This is an investment the same as any other investment I would make, Mr. Henney.

Mr. HENNEY. In 1910. At the time he came to you, which was in October, 1910, in regard to this matter of buying the common stock the Supreme Court of the United States had not yet decided the Felzer case?

Mr. ARMOUR. I do not know.

Mr. HENNEY. So at the time of the negotiations under which you folks had agreed that you were to have this; and that you were to

await the results of that in order to decide what should be done, in order for the New Jersey company to carry out an agreement with you, or to make an agreement with you, why Mr. Prince came to you and made this proposition, you say?

Mr. ARMOUR. Yes.

Mr. HENEY. And at that time he did not say anything about what he was going to do with the others in the event that the Felzer case was decided so it could be done?

Mr. ARMOUR. No. I presume if he had an agreement with the others he would have carried it out. I do not know. I simply went into this as an investment the same as I would into any other. I thought that it was a good investment. I would make no apologies about it. Mr. Heney, to anybody.

Mr. HENEY. I am not asking for any, Mr. Armour.

Mr. ARMOUR. All right.

Mr. HENEY. Here is a letter taken from Mr. Prince's files: "Dear Mr. A.—

And this was delivered to you, so Mr. Wadden testified at Chicago, by him personally carrying it there, August 1, 1911:

My program is as follows:

We now have all the large stockholders signed, actually—

This was after you had acquired the interest, and it was the plan for taking the control of the company.

Mr. ARMOUR. Yes. That is our fifth interest.

Mr. HENEY. That is for getting the assets.

Mr. ARMOUR. All right.

Mr. HENEY (reading):

We now have all the large stockholders signed, actually-----	40,589
With 2,500 shares in New York, whom I have been unable to see but	
whom I know will come in-----	2,511
Making a total of-----	43,000

There are 20 shares held in small lots which the Old Colony Trust Co. and the committee feel will certainly come in and it is proposed to give them until the 1st of September, so that on that date we should have between 62,000 and 63,000 shares in.

I suppose there will probably be about 2,000 shares that it will take some little time to bring in, the parties being away, etc. If these are the conditions on that date, my idea is to have the committee declare the plan operative on the 1st of September and then F. H. P. & Co. will pay in \$1,000,000 to the Old Colony Trust Co., of which your proportion will be as 6,500 shares is to 33,500 shares. My idea is to immediately dispose of our bonds, including yours with ours. We can sell the same in the Boston market at about 90, but if the Morocco situation is out of the way in Paris, I believe from proposals I have had from there that we should be able to get about par in France. At 90 for the bonds the stock will show you about 18 per cent profit, so that on marketing the bonds you would have your \$300,000 returned and about \$117,000 profit on your shares, while your proportion you would have invested would be a little less than \$200,000.

I would then await the decision of the United States Commerce Court. This will give our office time to pick up the remaining 2,000 shares. In the meantime, if Mr. Spoor thinks it advisable, I can meet the packers and explain to them what the advantage in the formation of the company is; namely, that the large holders have bought up the small holders in order to permit them to carry out the present arrangement if possible, or to be in a position to make some other arrangement for the mutual benefit of both parties.

Very truly, yours.

Now, did Mr. Prince say to you, Mr. Armour, at that time, that he proposed to you to join in buying enough stock to make the interest of the New Jersey company, and you would go ahead when you got it and carry out the deal that was to be carried out if the Felzer case decision did not interfere?

Mr. ARMOUR. Well, I do not know as to that, Mr. Heney, but I know that Mr. Prince came to me—I do not know how much later that was—that was when it became apparent, I know that Mr. Prince came out to me and wanted to know if I wanted to make an investment that he thought was a good one. He explained the matter to me, and I told him that I would—which we did, with the result that I made that investment the same as I would any other investment, and with the result that we, Armour & Co., own one-fifth of the stock. That is the situation.

Mr. HENY. At the time he made that statement to you——

Mr. ARMOUR. I do not know; I can not answer that question.

Mr. HENY. At the time he made that statement to you did he say nothing to you about what you and he would do about taking care of the others on the proposition that was pending?

Mr. ARMOUR. I could not answer that question, Mr. Heney; it would be impossible for me to answer that question. That had nothing to do with this——

Mr. HENY. Why, certainly.

Mr. ARMOUR. But I think not.

Mr. HENY. Mr. Prince was getting this stock, so he explained to you—he was going to explain to the big packers——

Mr. ARMOUR. I do not know.

Mr. HENY. The question is, Did he say to you that that was his intention?

Mr. ARMOUR. I have not any recollection, Mr. Heney.

Mr. HENY. The fact is that when Moseley & Co. commenced to buy this stock, in 1910, for you and Prince, the newspapers carried items to the effect that the big packers were out to get the control of the New Jersey company?

Mr. ARMOUR. I assume they did; yes, I think they did.

Mr. HENY. And Mr. Kroll for your company, denied that the packers had any interest in it?

Mr. ARMOUR. I do not know whether he did or not.

Mr. HENY. His own letters here state that.

Mr. ARMOUR. Yes.

Mr. HENY. Now, then, when you did get this stock it took some little time and ran clear to 1911, but you not only got 13,000 shares through Moseley—didn't you?

Mr. ARMOUR. Yes, sir.

Mr. HENY. And you owned half of them?

Mr. ARMOUR. I ended up with a fifth interest.

Mr. HENY. Well, you were to have 6,500 shares of these 13,000!

Mr. ARMOUR. Yes.

Mr. HENY. Now, your fifth interest is not a fifth interest of the New Jersey company; your fifth interest is a fifth interest in the Maine corporation, which only cost you a fifth interest of the earnings of the Stockyards company and the terminal railroad and the surplus fund that was there?

Mr. ARMOUR. Well, all right.

Mr. HENEY. Now, at the time Mr. Prince proposed this to you, did he tell you that the earnings of the stockyards company and the Junction Railroad had been sufficient to pay the 6 per cent on the preferred stock, the interest on the bonds, and 8 per cent upon the common stock regularly ever since 1891, and that in addition to these earnings it had paid for the \$3,000,000 in bonds, or was able to pay the interest on the \$3,000,000 in bonds to the three big packers, Armour, Swift, and Morris, and the other payments to the other packers, and still leave a surplus in the three companies, the holding company, the stockyards company, and the railroad company, which would more than pay for the 50 per cent or 51 per cent of the common stock, and that after this scheme was worked out you could declare an extra dividend and get back more money than you put in and still own the control of the company? Did he explain that to you?

Mr. ARMOUR. I do not know, Mr. Heney, what he said or did not say. It would be ridiculous for me to try to tell you what he said or did not say. It is sufficient for you to know—without meaning any offense when I say that, because I can not put it any other way—that I thought it was a good investment for Armour & Co. or we would not have gone in. What he said to me or did not say it would be ridiculous for me to try to tell you, because I could not do it.

Mr. HENEY. Did you contemplate moving away from Chicago with your plant and junking what you had there at that time?

Mr. ARMOUR. No.

Mr. HENEY. Had Swift told you that he was going to?

Mr. ARMOUR. No.

Mr. HENEY. Or Morris that he was going to?

Mr. ARMOUR. No.

Mr. HENEY. You did not have any idea the big packers were going to junk their plants and leave Chicago, did you?

Mr. ARMOUR. No; I had no idea whatever.

Mr. HENEY. Did you know that Moseley & Co. sent out letters, in order to get the people—

Mr. ARMOUR. I do not know what they sent out.

Mr. HENEY. To consent to this arrangement, in which they stated—

Mr. ARMOUR. I had nothing whatever to do with it, Mr. Heney, except that I told Mr. Prince that I would go in. I had nothing to do with the details of it. I did not handle it; it was all handled by Mr. Prince. I know nothing whatever except that it was done.

Mr. HENEY. And you do not know how it was done?

Mr. ARMOUR. I know Mr. Prince did it.

Mr. HENEY. You do not know how it was done?

Mr. ARMOUR. I do not know the details; no, sir.

Mr. HENEY. Then you do not know whether it was a fair proposition to stockholders whose stock was bought in, or not?

Mr. ARMOUR. I think it was a fair proposition, yes.

Mr. HENEY. Was it a fair proposition if the representation was made to these stockholders that unless they consented you and the other packers were going to move away?

Mr. ARMOUR. I do not know that it was.

Mr. HENEY. I say, if it was made.

Mr. ARMOUR. I can not answer that.

Mr. HENEY. All right, then; I will read you some of the letters that were sent out.

Mr. ARMOUR. They were not sent out with my knowledge. I did not send them out.

Mr. HENEY. No, you merely got the benefit of it. Here is another letter which was in the files of Mr. Prince:

DEAR MR. —: My idea is that we shall have a committee meeting on Monday when we shall have over 60,000 shares assented. I then propose to declare the plan operative and ask the stockholders to deposit their stock immediately. Then we will form the Maine company with a capital of say \$8,000,000 and we will pay in \$1,000,000, of which your proportion will be ——. I then propose to form a syndicate to purchase \$1,500,000 of the 5 per cent bonds and I would like to have your bank take \$500,000 and we will get the Standard Trust Co. to take \$500,000, you and I to take \$250,000 each. You and I will sell to the syndicate \$1,000,000 at 90 less 2 per cent, of which you will sell \$350,000 and we will sell \$650,000, and we will give the syndicate an option on the balance of our bonds at 90, 91, and 92.

I propose to have the guaranteed stock listed on the stock exchanges and the present stock will be stricken from the list. We shall do our best then to deprecate the value of the outstanding stock so as to get the small holders to come in. The guaranteed stock will commence to draw dividends at the rate of 9 per cent commencing with November 1. My idea would be that perhaps for the first six months to have the New Jersey company only pay 8 per cent as at present and the other 2 per cent to be paid out of the treasury of the Maine company, which would amount to about \$65,000. Then during the next two or three months our office will busy itself with getting the outstanding stock in, which in time we should get down to a minimum. In the meantime, we will have the decision some time in January in the Commerce Court case, which, according to agreement, we are to carry to the Supreme Court? As soon as we have all the stock in, and it seems advisable, we can declare the surplus by a dividend on the old stock.

Mr. HENEY. Do you remember getting any such letter as that from Mr. Prince, or having any talk with him along those lines?

Mr. ARMOUR. No, I do not.

Mr. HENEY. On November 14, 1913, Mr. Wadden, the then treasurer of the Maine company, wrote to Mr. Croll as follows:

November 14, 1913.

DEAR MR. CROLL: Your deposit on account of the Chicago Stock Yards Co. capital was \$194,000, which entitles you to 19.4 per cent of the stock, or \$1,552,000. I am therefore inclosing you certificates No. 10, for 10,000 shares; No. 29, for 5,510 shares, leaving 10 shares still due you. These 10 shares have been issued in the names of the directors and are held by me to qualify those gentlemen. As soon as Mr. Prince returns from Europe I will have other stock issued to you to cover the above 10 shares and thereby complete your requirements.

I will appreciate it if you will wire me upon receipt of this letter that you have received same and also acknowledge the receipt by mail.

Very truly yours,

F. W. CROLL, Esq.

Those shares of stock were not issued in the name of Armour or Armour & Co., were they?

Mr. ARMOUR. I do not know. I do not think they were.

Mr. HENEY. You say you went into this deal for Armour & Co. originally?

Mr. ARMOUR. Yes.

Mr. HENEY. When Armour & Co. made its return to the Federal Trade Commission, it do not show this interest, did it?

Mr. ARMOUR. My first return, I believe not; on the second, yes.

Mr. HENEY. Yes; but on the first return it did not show it?

Mr. ARMOUR. No.

Mr. HENRY. Why not?

Mr. ARMOUR. I do not know.

Mr. HENRY. What was the reason for not having it in your name in the Maine company?

Mr. ARMOUR. There was no reason particularly. Those are "bearer" stocks, are they not?

Mr. HENRY. No; those are the original shares of stock.

Mr. ARMOUR. There is no particular reason. I do not know the particular reason why.

Mr. HENRY. It was carried in your books in the name of an account, of J. Ogden Armour No. 4?

Mr. ARMOUR. That is right.

Mr. HENRY. And it did not show on the books that they had any interest in the Chicago stockyards, did it?

Mr. ARMOUR. No; I think not.

Mr. HENRY. And it did not show in the books of the Chicago Stockyards Co.?

Mr. ARMOUR. I do not know whose name it was in.

Mr. HENRY. At the time the commission tried to get the information from the Chicago Stockyards Co., Pegram, the then treasurer, under the instructions from Bradley Palmer, the attorney, sent a telegram to the Federal Trade Commission saying that he did not know who owned the stock, or, rather, stating that the books did not show. It was carefully worded. It did not say he did not know, but it was intended to give the impression that he did not know, that the books did not show who owned the stocks, because they were bearer warrants issued, and that they were transferable to bearer, and therefore he did not know.

Do you know why the treasurer was trying to conceal that fact from the Federal Trade Commission, that you were an owner?

Mr. ARMOUR. I do not know that he was. I do not know.

Mr. HENRY. As a matter of fact, he did know that you were the owner, because we now have his letters here where he wrote to Mr. Croll and told Mr. Croll to send him the coupon from those for the dividend just about that time, or shortly before that time.

Here is a letter of November 19, 1913, to W. M. Wadden:

[Frederick W. Croll, 205 La Salle Street, Chicago.]

CHICAGO, November 19, 1913.

Mr. W. M. WADDEN,
28 State Street, Boston, Mass.

MY DEAR MR. WADDEN: Your favor of the 14th instant with inclosures of certificate No. 10 for 10,000 shares and certificate No. 25 for 5,510 shares was duly received as per my wire.

I wired you first at Boston and afterwards repeated that wire to New York when I heard from you.

I was rather expecting the other package, and will appreciate a line from you as to how that stands.

Very truly, yours,

F. W. CROLL.

Have you any idea what the other package was?

Mr. ARMOUR. Not a bit.

Mr. HENRY. Was there anything you were to get besides the stock that you know of?

Mr. ARMOUR. Not that I know of.

Mr. HENRY. Were there some bonds?

Mr. ARMOUR. Not that I know of.

Mr. HENRY. Just about that time, November, 1913, is not this what occurred, did not Mr. Prince exchange some of your stock in the New Jersey company, and some of his own, at the rate of \$200 in bonds, for \$100 in stock, for the bonds of the Maine company, for a total of \$2,080,000 of the bonds of the Maine company?

Mr. ARMOUR. I do not know.

Mr. HENRY. Did you ever get any of those bonds?

Mr. ARMOUR. I do not think we did. I do not know, but I do not think we did.

Mr. HENRY. Did not Mr. Prince take those \$2,080,000 of bonds and sell them to the Junction Railroad, and the Stockyards Operating Co., and the New Jersey holding company, a portion to each, for cash, at from 89 to 94, and thereby get back the biggest part of the cash which you and he had invested in the 13,000 shares of common stock, a million, eight hundred and odd thousand dollars?

Mr. ARMOUR. I can not answer that question, because I do not know.

Mr. HENRY. You only owned four thousand one hundred and odd shares of Jersey stock yet, which is pledged for loans?

Mr. ARMOUR. Yes.

Mr. HENRY. What has become of the rest of it?

Mr. ARMOUR. I do not know.

Mr. HENRY. Was it not exchanged for bonds of the Maine company?

Mr. ARMOUR. I really do not know.

Mr. HENRY. And you do not know that that was exchanged for Maine bonds?

Mr. ARMOUR. No.

Mr. HENRY. Here is what the records we claim show the facts to be; that Mr. Prince took \$1,040,000 of your stock and his stock, par value, of the New Jersey corporation, exchanges it for \$2,080,000 of the bonds of the Maine company, which was part of the original scheme, and that stock is the only asset the Maine company has, except this \$1,000,000 of capital, which was loaned back right after it was put in. That he took the \$2,080,000 of bonds and sold something over a million of that to the Junction Railroad, and a certain amount more to the stockyards company, and some \$600,000 of them to the New Jersey holding company, for cash, and thereby got back the greater part, a million eight hundred thousand and odd dollars of the \$2,080,000 that you and he invested in the common stock of the New Jersey company. That then he had a dividend declared by the Junction Railroad and the stockyards company of those bonds, payable in bonds to the New Jersey holding company, or order, the New Jersey company owing all the stock of those two subsidiaries, and the Jersey company turned those bonds over to Mr. Prince, or, first, to the Maine company, including the \$600,000 sold to it, and the Maine company credited the \$2,080,000 bonds back on its books, and then, under direction of Mr. Palmer subsequently, they charged them off again, and Mr. Prince is now holding them and drawing the interest upon them. So that you kept your cake and ate it, too,

Prince and yourself. You put in \$2,040,000 in the stock of the New Jersey company, you exchanged it for bonds, you sold the bonds to the subsidiary companies, got the cash and then passed the bonds on back to the Maine company, which you and he alone own, so that the Maine company, now has both the stock and the bonds, except the bonds have been turned over to him for him to draw the interest, for some reason. Do you get any of that interest on those bonds?

Mr. ARMOUR. No.

Mr. HENNEY. My theory was that those bonds were turned over to him to give them to Swift and Morris so that instead of having shares of stock, they would have the dividends on these bonds to take the place of those earnings they were to get. Do you know anything about that?

Mr. ARMOUR. I do not think it was. It was not done with my knowledge.

Mr. HENNEY. Your total investment was \$194,000 in the Maine company, and by this arrangement you have gotten back now over \$300,000 in dividends from the Maine company, and you are in a position to get back at any time, under this arrangement that Prince has carried out of exchanging for bonds and selling the bonds to the subsidiary companies for their surplus funds, all the balance of the money that you have in New Jersey stock. So that you stand to the good \$2,000,000 of profit on your investment on the face of it now already. Did you know that?

Mr. ARMOUR. No, I did not know it. I have not figured it up.

Mr. HENNEY. Do you think that helped those yards much to give more efficient service?

Mr. ARMOUR. Mr. Heney, you know those yards have acquired things that have grown very valuable outside of the stockyards.

Mr. HENNEY. I know that.

Mr. ARMOUR. You know that.

Mr. HENNEY. But suppose the stockyards company had put up to it this proposition away back in 1891, that instead of paying \$3,000,000 to you people, with interest, it should expend \$3,000,000 of its earnings in building additional and better pens, and giving better switching facilities, and that it should tear down that old, dilapidated building which it has, which the commission men are in now, and put up a modern one—it is correct, is it not, that it needs one?

Mr. ARMOUR. I guess it does.

Mr. HENNEY. Do you not think that if the packers had exacted that condition, or had said, "give better service, and cut down the yarding charges and the feed charges," it would have been more to the benefit of the consumer and the producer than the plan that was adopted by the big packers?

Mr. ARMOUR. I do not know whether it would have been or not. I think the big packers had as much to do with developing the yards and developing the industry as anybody did—more to do.

Mr. HENNEY. But they would have gone ahead just the same, would they not?

Mr. ARMOUR. Possibly.

Mr. HENNEY. Mr. Armour, may I call your attention to a letter dated November 10, 1911, which was addressed to Mr. Bradley W.

Palmer, Boston, Mass., and signed by the treasurer of the Maine company, or by Mr. Prince, as follows:

NOVEMBER 10, 1911.

Mr. B. W. PALMER, Esq., Boston, Mass.

DEAR SIR: In regard to the bonds of the Chicago stockyards—

Mr. MEYER. To whom is that written?

Mr. HENEY. Bradley W. Palmer.

Mr. MEYER. By whom?

Mr. HENEY. By Mr. Prince, I presume. It was undoubtedly gotten up by Mr. Prince. Mr. Bradley W. Palmer I think is in town. He is the attorney for the committee that is making loans of public money.

The CHAIRMAN. The Capital Issues Committee, you mean?

Mr. HENEY. Yes.

Mr. MEYER. Are you charging that up to the packers?

Mr. HENEY. No. I am just suggesting that he can be secured. I do not know whether he loaned any money to the packers or not.

Mr. ARMOUR. If he had any to loan, he probably borrowed it from them.

Mr. HENEY. This letter reads:

In regard to the bonds of the Chicago Stock Yards Co., we would say that this is a Maine corporation of \$8,000,000 capital stock and \$1,000,000 cash paid in and \$13,000,000 of Federal trust bonds secured by all the common stock of the Chicago Junction Railways & Union Stock Yards Co. This company has acquired up to the present time 62,200 shares of the common stock of the latter company, the outstanding 2,800 shares being received daily from parties who have been away in the vacation season.

The prior securities to this issue are:

Outstanding bonds of the C. J. Rys. & U. S. Y. Co.-----	\$14, 000, 000
Real estate bonds in hands of the public-----	400, 000
Preferred stock-----	6, 500, 000
Total-----	20, 900, 000

As against this company has:

800 acres of land, which with buildings could properly be considered worth \$25,000 per acre-----	\$20, 000, 000
About 300 miles of truck, which is earning net \$1,000,000, and which, capitalized at 5 per cent, would be worth-----	20, 000, 000
Total-----	40, 000, 000

The above is without taking into consideration the continual improvements to the property which have been going on for the last 20 years and for which there has been no increase of capital.

The surplus earnings of the property will show over \$600,000 above the interest on these bonds and the property was never on such a substantial and satisfactory basis as at present.

A syndicate has been formed to take care of the market for these bonds, which will not be a very difficult thing to do. They are in a much different position from the other new issues of securities, inasmuch as the former stockholders of the company—most of whom have held their stock for from 10 to 20 years—are exchanging into these bonds and putting them away in their boxes. If your parties desire to become interested in the placing of the bonds on the London market, we could arrange to obtain for them from the large holders say 2,000,000 to 3,000,000 at 90 less 3 per cent, but it would be well, in case they signify any desire to do so, to arrange for Mr. Prince, who is at present in France, to go to London and take the matter up with him personally. I might say that the legality of the new company and of the bonds has been passed upon by Messrs. Storey, Thorndike, Palmer & Dodge, of Boston.

Yours, very truly.

That is written to Mr. Palmer, of that firm.

Then I want to call your attention to the Chicago Stock Yards Co., which was organized to have a capital of \$1,000,000 cash. It made a proposition, through a committee, of a plan by which it sold the other 49 per cent of the stockholders of the New Jersey company that if they would deposit their stock with the Old Colony Trust Co. and assent to the plan, they would be guaranteed 9 per cent dividends. They had been getting 8 per cent only during all these years. The plan contemplated, when they came in to assent to it, that they sign away all their right, title, and interest in any further dividends than 9 per cent to the parties who guaranteed the 9 per cent. If the New Jersey operating companies had been earning in the neighborhood of 15 per cent, or 12 per cent, during all these years, the prospect looked pretty fair that they would add to it, with the manufacturing district, being developed, did it not, Mr. Armour?

Mr. ARMOUR. I do not know, they might not have divided it up. They might have thought it necessary to keep it in the company.

Mr. HENEX. Oh, yes, but if you controlled the company, by controlling the boards of directors, by controlling the New Jersey company, it is easy enough to pass it along whenever you want to, is it not?

Mr. ARMOUR. Yes.

Mr. HENEX. So that it would look like a pretty safe bet, if there were three or four millions lying there, and you are only going to invest two millions in order to get the control, and then you have the balance of the common stock in a position where they have no interest in the surplus, because they can get only 9 per cent, everything over that, and what goes for the 6 per cent preferred and the dividend interest can pass on to yourselves, there is not much chance for loss, is there? The Chicago Stock Yards Co., with its millions of dollars of capital, started on October 4, 1911, with a deposit of a million dollars made by Prince. On October 6 he loaned himself back \$400,000, and on October 18 he loaned himself back \$100,000, or loaned that to Armour & Co., I have forgotten which. The note of Armour & Co. for a hundred thousand is there, either that hundred thousand or one gotten a little bit later, and on October 23 he loaned himself back \$400,000 more. So that this capital of a million dollars which was to be the guarantee back of the guarantee of the 9 per cent went in on the 4th of October, and by the 23d of the same month \$900,000 of it was back again in the hands of the men who put it in. And then it received a dividend, November 27, on New Jersey stock of \$101,444.

The CHAIRMAN. It looks like eagles as well as chickens come home to roost, does it not?

Mr. HENEX. Yes. On November 28 Prince took out of the company and put either his note or Armour & Co.'s note for a portion of \$197,079.17. So that all the capital, and a good portion of this dividend of \$101,000, had come back out of the company again; which was not very important, because Mr. Prince and Mr. Armour were the only stockholders, and the company had guaranteed this interest. It had no assets, with the exception of the New Jersey stock, which it could get at the rate of \$100 for \$200 of the bonds. That was the

only security back of the bonds. At the time it was organized it to have one million, but that is very interesting, Mr. Armour, be you see there was back of it this proportion. I want to show happened there. In the first place, the first meeting of the Chicago Stock Yards Co. was held and George F. Doherty was elected president, Clarence R. Yeaton was elected vice president, Norman MacGassin was elected secretary, and William M. Wadden elected treasurer. I think you did not know any of those people with the possible exception of William Wadden, did you?

Mr. ARMOUR. No, sir.

Mr. HENRY. The fact is that there is a corporation up there does the business of furnishing directors and running the corporation, and they put their dummies in and run it, and that is the this one was run. They take instructions.

The CHAIRMAN. Wholesale dummy company, is it?

Mr. HENRY. Wholesale dummy company. They were all dummy except Wadden, who was in Australia, who was an employee of Prince's. But the company furnished the others. At the meeting of these gentlemen here is what occurred:

The chairman then stated that the next business to come before the meeting was an agreement between the company and F. R. Pegram. All the directors desiring to examine the agreement having examined it and the same had been discussed and considered in so far as was desired.

That is, all these dummy directors had examined this agreement as far as they desired. It continues:

Upon motion duly made and seconded it was thereupon unanimously that the president and the secretary of the company be and they are hereby authorized and directed to execute the said agreement with F. R. Pegram providing among other things for the issue of 80,000 (eighty thousand) shares in the capital stock of the company to the par value of \$8,000,000 (eight million dollars) to the order of the said Pegram. And the proper officers of the company, and each of them, are hereby authorized and directed to take all proceedings and to do all such things as may be necessary or desirable to carry out the said agreement and to do all such other things as may be necessary under or in connection therewith.

The said agreement was thereupon executed as follows to wit:

An agreement made this 27th day of September, 1911, between Frank Pegram, of Cohasset, in Massachusetts, of the one part and the Chicago Stock Yards Co. incorporated under the laws of Maine (herein called the company) of the other part,

Whereas the said Pegram and his associates caused to be formulated and dated June 30, 1911, with the following, namely, Messrs. Richard Olney, Charles Carr, Samuel Carr, Guy Normal, S. L. Shoonmaker, E. V. R. Thayer, and J. Hart as committee, and the said Pegram has obtained the assent to the plan of the Junction Railways and Union Stock Yards Co., as evidenced by their assents deposited with the Old Colony Trust Co., and the said Pegram now holds and controls the said assents and the right to transfer the same together with all interests therein and all benefits to accrue therefrom.

I will stop there a moment. Mr. Pegram's testimony was taken before the commission—I have it here—and he swears he never had a dollar's interest in the matter; that he had no interest in the plan and, as a matter of course, he did not have. He was nothing but an employee, on a small wage, of Prince's, did not know anything about it, but they used his name, put the stock in his name, and he did what they told him to. Our assertion is that this plan recites on the face of it

of it that it is on behalf of the Maine corporation, which is to be organized, that the assents were put in there for the benefit of the corporation, so that it already owned them; that therefore there was no consideration whatsoever for the seven million dollars of stock that was issued, all water, in this Maine corporation. The plan is here, and it recites at the beginning that it is on behalf of the Chicago Stock Yards Co., "if and when formed (hereinafter called the new company), it is proposed to the holders of common stock of the Chicago Junction Railways and Union Stock Yards Co., subject to the terms and conditions hereinafter set forth."

Those terms and conditions show clearly that Pegram had no interests in the assents, could not have had any interest in them, and he had nothing to do with the getting up of the plan, and therefore this recitation here for the purpose of laying the foundation for the issuance of the stock being false, shows no consideration for the issue whatever.

(The plan referred to by Mr. Heney is as follows:)

COM. EXHIBIT 12.

CHICAGO STOCK YARDS CO.—PLAN DATED JUNE 30, 1911.

[Old Colony Trust Co., trustee; Storey, Thorndike, Palmer & Dodge, counsel.]

In behalf of the Chicago Stock Yards Co., if and when formed (hereinafter called the new company), it is proposed to the holders of common stock of the Chicago Junction Railways and Union Stock Yards Co., subject to the terms and conditions hereinafter set forth, as follows:

To enter into a trust agreement, with such of said stockholders as may elect to become parties hereto, whereby (among other things) said assenting stockholders will receive the guaranty and agreement of the new company (by way of a stamp thereof on their respective stock certificates) to pay such stockholders, annually, the fixed sum of \$9 in respect of each share of said stock, in quarterly installments of \$2.25 each. There is also extended to the holders of such stamped certificates the privilege of exchanging the same for collateral trust bonds on the basis of \$200 face amount of 50-year 5 per cent, collateral trust gold bonds of the new company, in such form and secured as the committee may prescribe or approve for each share; which privilege shall remain in force until the new company shall give or cause to be given in such manner, and for such period as the new company, with the written approval of the committee, may fix and determine, notice of the withdrawal and termination thereof.

The Old Colony Trust Co. is hereby designated and authorized to receive from stockholders electing to become parties to this plan stock certificates for the purchase of being subjected to the trust agreement and stamped as in the above paragraph provided, and, pending the declaration by the committee that this plan has become and is operative, assents and agreements of stockholders, manifesting their election to accept this plan and to become parties thereto.

This plan and the said trust agreement shall become operative if and when in the opinion of the committee it has become advisable to carry the same into effect.

Upon such declaration being filed with the Old Colony Trust Co., the new company shall deliver to the trust company the collateral trust bonds (or interim certificates temporarily representative thereof) which are deliverable to stockholders, who shall at that time have elected to avail themselves of the provisions hereof.

The trust agreement shall be deposited with the Old Colony Trust Co.

Each and every holder of such common stock shall deliver the certificate thereof or who shall deliver to the said trust company his assent to said plan, as above authorized and provided for, shall thereby become a party to this

plan and the agreements herein contained with the same force and effect as if he had subscribed and affixed his seal to this plan and the agreements herein contained.

Each such depositing or assenting stockholder agrees that, upon demand of the committee or of the Old Colony Trust Co., he will from time to time execute such assignments, powers of attorney, and other instruments as the committee shall deem necessary or proper to more fully effectuate the transfer of such stock certificates, the stamping of said guaranty thereon, the making of such stockholder a party to the trust agreement, and the accomplishment of the provisions thereof.

The committee undertakes in good faith to promote the consummation of this plan; but it is expressly understood that no member of the committee assumes any responsibility for its success. No member of the committee shall be in anywise liable because of the aforesaid offers or the promulgation of this plan.

The committee shall have power, in its discretion, from time to time, to extend the time within which the holders of any of the aforementioned common stock may deposit the same and become parties to the trust agreement, and in connection therewith to impose such terms and conditions as it shall see fit, including the making of a cash payment as a condition of becoming a party or parties; to provide that any member thereof may, with the approval of the other members, act and vote by proxy; to prescribe the form and terms of any securities for the issue of which provision is made in the said plan and agreement; to declare the aforesaid offers and this plan operative if and when the committee shall, in its discretion, deem that the amount of the deposited and assenting stock is sufficient to warrant such declaration, and the declaration of the committee shall be final and conclusive upon all parties hereto; to provide, after the making of said declaration, if and when the committee sees fit and upon such terms as it shall prescribe, for the acceptance of the said offer by holders of any of the aforementioned stock not deposited prior to such declaration; to carry out and effectuate this plan in whatever manner the committee shall at the time deem most expedient, and, generally, to make and determine all arrangements and things which in its judgment are necessary or expedient to carry out this plan; to construe this plan and the appended trust agreement.

Any such construction by the committee, or any action under any such construction made or taken in good faith, shall be final and conclusive. Also to supply any defect or omission of or in this plan or said agreement or to reconcile inconsistencies in it in such manner and to such extent as shall, in the opinion of the committee, be necessary or expedient to carry out the same properly and effectively, and the committee shall be the sole judge of such necessity or expediency; and from time to time to make such modification of said agreement as it shall consider necessary or expedient, provided it is consistent with its general purpose and does not change the guaranty thereon, in case of election to accept the guaranty. The new company shall have power to make any and all adjustments of interest and dividends by it deemed fair and equitable in case of the exchange of any such stock or stamped certificate for bonds, and such adjustment shall be final and conclusive.

In the event of the resignation, death, or inability to act of any member of the committee, the vacancy so caused shall be filled by the remaining members of the committee.

All action of the committee may be had and taken by a majority of its members.

In no event is any claim to be made against any depositing or assenting stockholder, or enforced by way of lien, or otherwise, against any of the deposited or assenting stock for which such certificates shall have been issued, for or on account of the charges or expenses of the committee. The compensation of the committee and of the trustee and all expenses of the committee and of the trustee, in connection with the carrying out of this plan and said trust agreement, shall be paid by the new company.

No assenting stockholder shall have any interest in any of the shares of stock of the new company or of the disposition thereof.

The provisions and benefits of this plan and said trust agreement shall be confined strictly to the parties thereto in accordance with the terms and provisions thereof.

This plan and said trust agreement shall be deemed, according to its terms, to bind and benefit the several parties thereto, their and each of their survivors, executors, administrators, and assigns.

RICHARD OLNEY, *Chairman*,
SAMUEL CARR,
GUY NORMAN,
S. L. SCHOONMAKER,
E. V. R. THAYER,
F. R. HART, *Secretary*,
17 Court Street, Boston, Mass.,
Committee

Mr. HENRY. This record of the minutes of the first meeting of the stockholders of the stockyards company continues:

And whereas the said plan—

(a) Assures to the Chicago Junction Railways and Union Stockyards Co. a continuance of the business now carried on by the packers upon a permanent basis and a great increase in the earnings, profits, and dividends to which the holders of the common shares of the Chicago Junction Railways and Union Stockyards Co. will become entitled as well as a great increase in the value of the said shares; and

(b) Will vest in the company (if it shall acquire the uses and benefits of the said plan) the right to all dividends and other payments out of earnings apportionable to the said common shares, the holders of which have heretofore assented or may hereafter assent to the said plan over and above the fixed annual amounts and fixed annual charges specified in the said plan. But the company can not receive any of the said benefits without having acquired the same from the said Pegram nor without having raised \$1,000,000 in cash in order to comply with the conditions specified in the said plan.

That is absolutely true, because the company already had the assents placed there for its use by the plan itself, under the plan itself as it existed at that time in the hands of the Old Colony Trust Co. Whereas it says that the company can not receive any of the said benefits without having acquired the same from the said Pegram, who had no interest. That last statement I read is true. They did have the million dollars for four days. This goes on:

And whereas the company has been organized under the laws of Maine with a capital of \$1,000,000 and desires to acquire the uses and benefits of the said plan and the action of the said shareholders thereunder and requires the sum of \$1,000,000 in cash so to do:

Now therefore it is agreed by and between the parties hereto as follows:

(1) The said Pegram hereby sells, assigns, transfers, and sets over to the company, its successors and assigns, the said plan dated June 30, 1911, and all the assents thereto of the shareholders of the Chicago Junction Railway and Union Stock Yards Co., which have heretofore been made, as well as all such assents that may hereafter be made, together with all right title interest and benefit in and to the said plan, and assents of every kind and nature. And the said Pegram agrees to pay to the company forthwith the sum of \$1,000,000 in cash.

(2) The company hereby accepts the foregoing property and acknowledges that it has received payment of the said sum of \$1,000,000.

(3) As consideration for the said property and for the services of the said Pegram—

Which he says he did not perform—

The company agrees to pay \$8,000,000 therefor, payable in the full paid non-assessable stock of the company at par. The company agrees to issue and deliver forthwith to the order of the said Pegram \$999,000 par value of the capital stock of the company now authorized and not heretofore subscribed. The company further agrees to cause to be delivered forthwith to the order of the said Pegram the \$1,000 par value of its capital stock heretofore subscribed. The company further agrees to increase its authorized capital stock to an

authorized amount of \$8,000,000 capital and to issue and deliver to the order of the said Pegram \$7,000,000 par value of its shares as soon as such increase can be made according to law.

In witness whereof, the said Pegram has hereto affixed his hand and seal and the company has caused its common seal to be hereto affixed and these presents to be signed in its name and behalf by its proper officers the day and year first above written.

FRANK R. PEGRAM. [SEAL.]
CHICAGO STOCKYARDS COMPANY,
By GEORGE F. DOHERTY, *President*.

That was carried out, and by reason of that increase the \$194,000 of Mr. Armour became \$1,552,000 of stock of the Maine company. The Maine company owned nothing. It had no assets of capital except that \$1,000,000, which it loaned back again to the parties who furnished it. It was going to issue some bonds, but it had no assets back of the bonds except the \$1,000,000. It was to exchange the \$200 of bonds for \$100 in stock. Not until it got the stock in exchange for the bonds would it have any assets as security for the bonds. Just where would you say the \$7,000,000 of value comes in in that company's assets?

Senator GRONNA. I was just about to say, do Mr. Armour and Mr. Heney agree on this? Awhile ago you agreed on another proposition. I am curious to know whether you agree now.

Mr. ARMOUR. He is reading facts, I believe.

Mr. HENNEY. These are facts.

Mr. ARMOUR. I do not know anything about them, but I assume he is reading facts. The earning power is back of either the first issue or the second issue. It is no greater and no less, and whatever the earning power is would be applicable to either the eight million or one million, as I understand it.

Mr. HENNEY. The Maine company has no earning power. It has nothing to earn any money. The only thing it can get is to get dividends upon the New Jersey stock which it will acquire by exchanging bonds for stock, and until it acquires some of that stock, it can not even have an income. So that the New Jersey company could not have anything in value except \$1,000,000.

Mr. ARMOUR. I assumed that it had an earning power.

Mr. HENNEY. The earning power all comes from these operating companies which were in existence before.

Here is a sample of a letter sent out by Mosely & Co. in order to get these people to assent. I will read the following letter:

AUGUST 18, 1911.

B. A. JACKSON, Esq.,
*Treasurer Providence Banking Co.,
Providence, R. I.*

DEAR SIR: In regard to the common stock of the Chicago Junction Railways & Union Stockyards Co., which Mr. Wellington asked you yesterday to obtain the assent to plan proposed by the Olney committee, we would say that all the directors and large stockholders have carefully gone into the situation, have recommended and assented to the plan, and there is no stockholder in the Chicago Junction stock, so we are advised, who has any interest in the Maine corporation.

Of course, Mr. Armour, that statement was absolutely untrue, except that they may have been advised so. But the fact was entirely different, because Prince was the largest stockholder of the common stock of the New Jersey corporation, and was to be the largest stockholder in the Maine corporation, was he not?

Mr. ARMOUR. I do not know.

Mr. HENNEY. You know he was a large stockholder in the New Jersey corporation, and you knew he was to be the largest in the Maine corporation?

Mr. ARMOUR. Was the Maine corporation contemplated at that time?

Mr. HENNEY. Yes. And this is to get the assents for the organization of the Maine corporation. They are telling the stockholders that nobody connected with it he is trying to get in is to have any interest in the Maine corporation. That is, it is to be handled by the Chicago packers; that Prince, in other words, is not to be in it, but the Chicago packers only, and it says "packers," not "bankers." It continues:

Between ourselves, it is simply a case of legalizing the rebate which the packers have insisted on obtaining, as they state they contribute 75 per cent of the earnings of the company and are entitled to a portion of the plunder.

This man talks very plainly.

In the past this has been paid by giving them larger blocks of stock on payments in cash. Hereafter they will take whatever pickings may seem proper to them. The property, however, must not be wasted and must be kept intact, so the lawyers who are handling this matter advise us.

The pickings are not going to be taken by the three packers, only Armour & Co., and Prince.

The company has been earning about 10 per cent and paying 8 per cent, but it was necessary for them to save a certain surplus to distribute back to the packers periodically.

He is referring to the payment of the \$3,000,000.

This question of rebate has been argued before a court of justice and a decision is expected on October 1 to see if these rebates are legal in view of their holding and operating a railroad property. The directors fear an adverse decision and are, therefore, anxious to have this plan become operative before that date.

That is, the directors of the New Jersey company. The fact was that a majority of the directors of the New Jersey company did not know anything about it, did they?

Mr. ARMOUR. I do not know.

Mr. HENNEY. The letter goes on:

A minority holder may have in mind that by staying out he can get these extra dividends that the Maine corporation expect to get on the stock which they control through guarantee or by deposit as collateral against the bonus in case the stockholder takes them. The fact of the matter is, it would be well within the power of those who control the Maine corporation to reduce the yard charges so that the earnings of the stockyards company would make a much poorer showing than they do now. We feel it is very important to retain this earning power of the packers, otherwise, this valuable tract of land would have to be cut up for manufacturing or terminal purposes, and, while the stockholders would eventually get back a handsome return on their money, it would take a number of years to do so. In the meantime there would be the payment of taxes and interest on the bonds with no income.

We should be pleased to allow you 1-8 on any assents that you send to this office. We understand that Mr. Matteson has the controlling interest in about 1,000 shares of stock and that you will take this matter up with him.

Very truly yours.

S. H. FESSENDEN.

Those letters were intended to induce a minority stockholder of common stock in the New Jersey corporation to fear that if the

packers got control and he did not come in on the plan, they might reduce the yard charges so that he would not get even 8 per cent, and, as Mr. Prince suggested in another letter, a kind of a scheme to force him in by having the stock taken off the market, and only the stock of those who had assented put on the market.

The CHAIRMAN. Did they reduce the yard charges?

Mr. HENEY. No, Senator. The stockyards, Mr. Armour, at present are said to be dirtier than they have ever been before in their history. Do you know whether that is a fact?

Mr. ARMOUR. I do not know.

Mr. HENEY. There was testimony before Judge Altschuler to that effect, that there was an awful condition.

Mr. ARMOUR. I think until recently there has been a shortage of help. I do not know whether that is the reason for it or not. I do not know that it exists.

Mr. HENEY. A very bad winter, plus shortage of help, undoubtedly brought it about.

Mr. ARMOUR. I think the yards are in bad shape.

Mr. HENEY. Last winter was bad, and there was a shortage of help.

Mr. ARMOUR. Yes, sir.

Mr. HENEY. But for the last three months there have been 5,000 to 10,000 men out around the stockyards looking for jobs.

Mr. ARMOUR. I do not know.

Mr. HENEY. That was the testimony before Judge Altschuler.

Mr. ARMOUR. I assume the yards are better.

Mr. HENEY. No, they were bad two weeks ago when we were taking this testimony. And the dilapidated offices are still there.

I have just one or two other letters that I want to call attention to.

Mr. MAYER. Will you not state what is in them, and put them in the record?

Mr. HENEY. This one is short, and it will take less time to read it:

AUGUST 23, 1911.

SAMUEL S. SLOAN, Esq.,

Vice President Farmers' Loan & Trust Co.,

New York City.

DEAR SIR: As I am one of the committee which has made the recommendation in regard to the Chicago Junction plan, I want to call your attention to the necessity of sending the assent of your stock in as early as possible as we are anxious to carry out our arrangement on the 1st of September which we deem so important to the shareholders.

The situation is as follows: The company's business in Chicago depends very largely upon certain definite industries. When these industries were established at Chicago it was the natural center for the businesses done, but Chicago is now less conveniently situated than many western cities. To insure the continuance of profitable business for the company, it is necessary to work with close and harmonious relations with those upon whom the company is dependent for the continuance of its business. It is the belief of the committee that the new company can give much more definite assurances as to the continued prosperity of the company than a company such as the present, practically wholly owned far away from the scene of the company's operations.

They have not got much nearer with Mr. Prince in charge than they were before. The New Jersey corporation was owned in Boston and New York, anyway, was it not?

Mr. ARMOUR. I assume so; I do not know.

Mr. HENNEY. That is, Mr. Prince and you sort of direct the running of the stockyards companies?

Mr. ARMOUR. I have nothing more to do with it than you have. If I had, I would try not to have it dirty, if it is dirty.

Mr. HENNEY. You and Mr. Prince elect the directors of the New Jersey company, and the New Jersey company elect the directors of the stockyards company. That is a fact, is it not?

Mr. ARMOUR. If you say it is. I do not have anything to do with the running of the company. I own a fifth of the company.

Mr. HENNEY. Then, as a matter of fact, it does not do any good to have a packer interested in the company. It would be just as good to have a Boston banker?

Mr. ARMOUR. I do not know about that.

Mr. HENNEY. Mr. Prince is running the company?

Mr. ARMOUR. Mr. Prince is running the company.

Mr. HENNEY. What is the use of having a packer interested? You are not getting good service.

Mr. ARMOUR. That is unfortunate.

Mr. HENNEY. Would you not blame Mr. Armour a little bit for the conditions?

Mr. ARMOUR. Mr. Armour has not anything to do with the running of those yards.

Mr. HENNEY. Why has he not, if he owns on fifth interest?

Mr. ARMOUR. I am a minority stockholder.

Mr. HENNEY. Mr. Prince told me that he feared Mr. Armour so much that he would do anything Mr. Armour wanted, that Mr. Armour could break him.

Mr. ARMOUR. He never told me that.

Mr. HENNEY. Act on my suggestion.

Mr. ARMOUR. All right; I will be very glad to.

The CHAIRMAN. Have you made any effort to have the yards put in better condition?

Mr. ARMOUR. No, sir.

The CHAIRMAN. As a minority stockholder?

Mr. ARMOUR. I have not.

The CHAIRMAN. We had a witness here last week who seemed to be very strong for the packing-house people, and he urged that as a complaint. In fact, he said that was his only complaint. I was wondering whether you could not better that.

Mr. ARMOUR. If I can, I will be very glad to.

Mr. HENNEY. There are just two letters here, and then I am through. Here is one dated August 14, 1911, as follows:

AUGUST 14, 1911.

Messrs. FULLER & GRAY,
78 Bedford St.,
Fall River, Mass.

DEAR SIR: We have your letter of the 12th and would say that the \$1,000,000 cash capital is merely paid in as good faith and guarantee on the part of the Maine corporation. The stockyards maintains its identity, the Maine corporation merely becomes a stockholder through the deposit of enough shares to control the situation. Whatever dividends are declared paid the Maine corporation must go to minority stockholders who stay out, as you say.

As you will have in mind, at each time there has been a question of renewing the leases with the packers it has been: "How much will you pay us?" The last time it cost the stockyards \$3,000,000 in bonds of the company. The time is now approaching when it will be necessary to take up the renewals of these

leases with the packers. The question has been brought before the United States Commerce Court as to whether it will be legal to make this payment to the packers. We understand this decision will be rendered on October 1. We can well see the inducement that others who are not in the railroad business might make with the packers into locating elsewhere. This would leave the stockyards with a vast tract of land on their hands but with no earning power beyond as a railroad or terminal. This hooks the packing interest into the situation, which is the most important part of the whole plan, in our opinion.

The company has not earned in a period of years over 10 per cent and has paid 8 per cent. In the meantime, the legislature has been constantly working against them and they will be relieved from this by the new interests. You will at once receive 9 per cent and 10 per cent if you so elect.

We have been informed that unless the 65,000 shares of stock deposits that they will not care to put the plan through. All the directors in the stockyards company and our largest and most conservative trustees here in Boston have already deposited their stock under the plan.

Very truly yours.

F. S. MOSELEY & Co.

You will notice he says that in the meantime the legislature has been constantly working against them, and they will be relieved from this by the new interests. Had there been effort on the part of the legislature in Illinois to reduce the terminal rate charges, or the yard charges, at any time?

Mr. ARMOUR. I do not know.

Mr. HENRY. You would not keep in touch with that?

Mr. ARMOUR. No, sir; I would not.

Mr. HENRY. There is one other letter that I want to read. It is from Arthur G. Graves's law office, 48 Church Street, New Haven, Conn., as follows:

AUGUST 15, 1911.

MESSRS F. S. MOSELEY & Co.,
50 Congress Street, Boston, Mass.

GENTLEMEN: Your letter of recent date to Mrs. Sarah L. Graves in reference to the proposed reorganization of the Chicago Junction Railways and Union Stockyards has been handed to me for attention, and in view of what the reorganization offers to the present common stockholders, and in reply to your letter, I desire to make the following observation:

There are a few stockholders in this company of whose affairs I have charge. Thus far, none of them have indicated their assent to the proposed plan, and I have carefully refrained from advising them to do it. In the first place, it is very apparent to all, except perhaps to those who devise the plan and who are on the inside and know all about it, that the proposed reorganization is very indefinite, and the common stockholders really do not know what is offered to them. Passing by this, however, which I think after all is of minor importance, the real criticism of the intelligent stockholders of the Chicago Junction Railways would be this—that the present stockholders are not receiving under the proposed plan a return commensurate with the present actual assets and cash surplus of its company. It is true that the earnings of the stockyards and its connecting railways depend almost wholly on a single industry and that its connecting railways depend almost wholly on a single industry and that its profitable operation depends upon its present location, and it is also true that possibly the stockyards' business may be carried further and further to the west, thereby injuring to a considerable degree the Chicago market. But on the contrary, the present actual asset and cash surplus of the company belong to the present stockholders, and not legitimately to those who, through some skillful device of reorganization, succeed in getting the old company and its assets entirely into their possession.

The parent company, of which we are common stockholders, is virtually scarcely more than a holding company, and derives all its income from dividends paid on the stock of the Chicago Junction Railways Co., and the Union Stockyards Co. While it is true that the earnings have not increased to any marked degree in this business, at the same time it is also true that each

of these subsidiary concerns has earned, with a very comfortable surplus, the dividends which have been paid over into the treasury of the parent company, and for a large number of years such surplus has remained untouched in the treasury of the subsidiary companies. Such surplus has been earned, too, after very liberal appropriations for improvements and betterments, a portion of which might have been charged to new capital. Furthermore, the parent company has received from the dividends thus paid by its subsidiaries a surplus over and above its dividend requirements, viz, 6 per cent on the preferred and 8 per cent on the common. The public and the casual observer, therefore, do not often realize that the surplus and assets of the present company lie still in the treasury of three corporations, and assuming that future improvements or exigencies would warrant our leaving untouched the surplus now resting in the treasury of the subsidiary companies, nevertheless the surplus in the treasury of the parent company has now reached a very considerable sum.

I have not before me the reports of the last two or three years of the Chicago Junction Railways and Union Stockyards Co., and I can not in this letter give the exact figures of the earning power and surplus of the different concerns; I want to say, however, that some seven years ago, when advising a client to invest in the common stock of this corporation, I had occasion to make a very careful investigation of the earning power of the company and the surplus which it had virtually at its disposal, either in its own treasury or that of its subsidiary concerns. At that time the cash surplus amounted to something like \$3,000,000, as I discovered by investigation. My calculations on this score were also corroborated by those of some Boston brokers who were acquainted with the company. A cash surplus of \$3,000,000 on an outstanding issue of common stock of only \$6,500,000 was a very large surplus. This was some seven years ago, and in the meantime this surplus has slowly grown from year to year.

Mr. Armour, do you know, as a matter of fact, that through the manipulations of these companies by Mr. Prince that \$3,000,000 has been passed over to you and him?

Mr. ARMOUR. No; I do not.

Mr. HENEX. They have, as shown by the records.

A few years ago, about the time the company discontinued making a report of the separate earnings of the subsidiary companies, I wrote to the treasurer of the present company, and at my request he sent me the figures, at the same time explaining the reason why the company had discontinued giving these separate earnings was because it was deemed wise not to reveal the company's true earning power and its resources to some of our State legislatures and thereby open itself to invidious legislation. It was upon this explanation that I refrained at that time from writing an article for some prominent financial paper, revealing for the information of investors in general the real financial strength of the Chicago Junction Railways and Union Stockyards Co.

In conclusion, I have only to say that the present plan of reorganization by no means gives to the present common-stock holders full return for the value of their property with which they are asked to part. It is true that the proposed new securities, offered to the stockholders with an increased dividend of 9 or 10 per cent assured, seems better at first blush than the present security which they hold. At the same time, it is also true that the present 8 per cent on the common stock of the parent company is absolutely assured, and in the future the common-stock holders must and ought to reap the advantage of the results of all these past years of provident and skillful management. Instead of that, the reorganization committee themselves, representing a group of inside stockholders, offers something which is sufficiently attractive to induce the present holders to part with their stock, and after they have parted with it the rich surplus to which I have referred and the accumulation of all the past years will redound to the benefit of the inside few, perhaps followed by the "cutting of a rich melon." Frankly, gentlemen, do you think this is treating the stockholders squarely? Does it not bear in some respect a slight resemblance to the old Chicago & Alton deal?

Were I in a position to secure names of all the common-stock holders of the company and had the time and means to devote to it, I could easily put so many of the stockholders in possession of facts that would make the present plan impossible of fulfillment. However, I think it would be better if the committee, or yourselves, did this.

Very truly, yours,

ARTHUR C. GRAVES.

In that connection, you were trusting so much to Mr. Prince had agreed to pay Moseley & Co. \$20,000 as a commission for purchasing this stock at \$160 a share, and on the side he had an agreement with Moseley & Co. to pay him back one-fourth of the commission, which they did—\$5,000—which he pocketed, you paying your full half. It may throw a little light on Mr. Prince which might be of interest to you.

Mr. ARMOUR. I did not know that.

Mr. HENRY. The reply to that letter I wish to put in, and then there is one other letter I have not at hand, that I will have to read in afterwards, a letter from Mr. Prince to the auditor out there, where the auditor says the report shows that \$700,000 was put into betterments, and he asks them to state how much really went into betterments, and what betterments, and he says, according to instructions, the earnings being too large to allow to appear, that he would charge them up to operating expenses, and that it would require a systematic analysis of the entire books in order to get at what it was that the \$700,000 had gone into it, or how much of it had gone into it, how much of it was profit that was being covered up. That is from the auditor to Prince, the official auditor of the company.

The reply reads:

AUGUST 16. 1911.

ARTHUR C. GRAVES, Esq.,

No. 48 Church Street, New Haven, Conn.

DEAR SIR: We have your letter of the 15th. The indefiniteness of the plan referred to is due to the fact that it did not seem wise to enlarge too much on the situation as it really is.

As you will understand from our letter, there has been danger, and there still is, of the packers leaving Chicago for territory nearer cattle-raising industry, and it is only due to large bonuses being paid to the packers in the past that they have stayed. The question has been argued before the court of justice in Illinois, and the opinion is expected on the 1st of October as to whether it is legal for the stockyards company to pay these sums of money to the packers, which from a railroad are in the nature of a rebate. The directors of the company therefore devised this plan, by which the packers will have control of the new Maine corporation with a paid-up capital of \$1,000,000. This, in the opinion of your directors, insures the permanency of the packers in Chicago, and will also avoid the large payments to be made to them in the future. It is fair to assume, as you state, that they are not doing this for nothing, and they expect to reimburse themselves through the surplus earnings, to which they feel that they contribute by staying in Chicago. You of course have a very valuable property, but without the packers it would have a very slim earning power, and in order to get back your money the property would have to be sold off for manufacturing purposes, divided up, with streets etc., all of which would take time.

As far as we know, there are none of the directors or stockholders who receive any benefits from the new company, but all come in and share alike.

We were assured by Mr. Bradley Palmer, of Messrs. Storey, Thorndike, Palmer & Dodge, before we took up this work, that the property of the Chicago Junction Railways and Union Stockyards Co. would be thoroughly safeguarded and could not be wasted by the parties taking control.

The parties having control of the Maine corporation have informed us that they will not undertake this unless the common stock assents. Of course, it is fair to assume that they will undertake it provided only a few shareholders stay out.

There is another reason why this company has not paid larger dividends and that is on account of the legislation, which has always been hostile to them at what they considered excessive charges as against the interest of the farmer.

It is not proposed to cut any melon or to give any insiders any benefits.

If there is any further information that you desire, kindly let us hear from you.

Very truly, yours,

F. S. MOSELEY & Co.

That is upon the basis of an economic proposition, the packers ought to move farther west; and that is your own opinion, too, is it not. Mr. Armour, closer to the point of production?

Mr. ARMOUR. Of course, I think the closer they get to the point of production the better it is. But they could not move entirely west, because Chicago will always be a large market.

Mr. HENRY. Just as long as they continue to enlarge their plants in Chicago—

Mr. ARMOUR. It would be, anyway.

Mr. HENRY (continuing). And the stockyards continue to be profitable, as profitable as apparently it is, there will not be any inclination on your part to have the plants at Chicago moved farther west, will there?

Mr. ARMOUR. There will be plants built west, but I hardly think the plants in Chicago will move, because they are too much of an investment.

Mr. HENRY. At any rate, the fact that you are getting these large earnings from the stockyard company would not have any tendency to encourage you to move?

Mr. ARMOUR. That would not keep a man anywhere if there was not a fundamental reason for being there.

Mr. HENRY. The three packers have gotten considerable from the stockyards at Chicago on the strength of the proposition that they might get out, have they not, since 1896?

Mr. ARMOUR. Yes. They thought they were entitled to some, I suppose, on account of their contribution toward the earning power.

Mr. HENRY. Their contribution toward the earning power—I do not quite get your viewpoint on that. Do you mean that if some new man wanted to establish a plant in Chicago now, it would be up to you and Prince to give him a million dollars as a bonus to start in?

Mr. ARMOUR. No.

Mr. HENRY. You do not think that?

Mr. ARMOUR. No.

Mr. HENRY. A new plant there, with plenty of capital back of it, would make it a still better market, would it not?

Mr. ARMOUR. Oh, yes.

Mr. HENRY. Then why not give it to them?

Mr. ARMOUR. Give them what? A million dollars?

Mr. HENRY. Yes; if any corporation came along with plenty of money back of it—

Mr. ARMOUR (interrupting). Who gave it to them, the stockyards?

Mr. HENRY. Yes.

Mr. ARMOUR. They have not any right to, have they?

Mr. HENRY. Have not any right to? Could you not get up a Maine corporation scheme and bring it about. You might give them stock and bonds of the Maine company, and that would amount to the same thing.

The CHAIRMAN. Would not the reason which you think keeps the packers at Chicago have kept them there under this Government proposition?

Mr. ARMOUR. It might have.

Senator NORRIS. Was this proposition in 1890, when land was purchased away from Chicago, developed for the purpose of getting a bonus?

Mr. ARMOUR. I beg your pardon?

Senator NORRIS. In 1890, when you, and Swift, and Morris got this bonus from the Chicago stockyards——

Mr. ARMOUR (interrupting). I do not know. That was before my time.

Senator NORRIS. That ran for 15 years, did it not?

Mr. ARMOUR. I had nothing to do with the making of that.

Senator NORRIS. You do not know whether they really intended to go out, or whether it was just a bluff?

Mr. ARMOUR. I do not know, because I had just started in business about that time.

Senator NORRIS. Evidently they made the big people believe they were going away?

Mr. ARMOUR. Apparently.

Senator NORRIS. When that 15 years was up, that was in your time!

Mr. ARMOUR. Yes.

Senator NORRIS. Was there anything done on the part of Armour & Co., or Swift & Co., or Morris & Co., to make them believe they were going away in case they did not continue the bonus?

Mr. ARMOUR. The bonus was not continued.

Senator NORRIS. I understand. But from some of this correspondence there was some representation made at least, that there was danger of them going away if they did not do something.

Mr. ARMOUR. There was nothing done, nothing came of it.

Mr. HENY. In the negotiations that took place between the representatives of the New Jersey company and the three big packers, lasting over several years, the big packers were contending that they might move away if they did not get that?

Mr. ARMOUR. But nothing came of it.

Mr. HENY. But they did contend that?

Mr. ARMOUR. Yes.

Mr. HENY. I only wanted to ask you one other thing, about advertising. Do you know what you are spending for advertising now?

Mr. ARMOUR. I would say around a million dollars.

Mr. MEYER. A year?

Mr. ARMOUR. Yes.

Mr. HENY. In 1915 it was \$250,000, was it not?

Mr. ARMOUR. No; I think it was more than that. I think it was a great deal more than that.

Mr. HENY. That is the way I recall it.

Mr. ARMOUR. No; I think not.

Mr. HENY. Six hundred and odd thousand in 1916.

Mr. ARMOUR. It has increased. Our business has increased. It is more, but I would not think it was that much.

Mr. HENY. The necessity for advertising did not increase since the European war started, did it?

Mr. ARMOUR. I do not suppose it did, but it is just as necessary to keep your name before the people whether you are selling your goods or whether you are not, because the time comes when you will have a surplus of goods. That does not mean, perhaps, now, or next year, but it is just as necessary. I know that is the advertising idea.

Mr. HENY. Exactly. But you do not want the committee to understand that the large expenditures you are now making are merely for that purpose, do you?

Mr. ARMOUR. No, and I will be very glad——

Mr. HENY (interrupting). You would not spend a million dollars a year, would you?

Mr. ARMOUR. I think we would. There is a certain part of that that is due to the activities of the Federal Trade Commission, and I will be very glad to tell you what that part is.

Mr. HENY. You mean a certain portion of this amount?

Mr. ARMOUR. Yes; more than we would have spent ordinarily.

Mr. HENY. You have more than doubled what you would have spent ordinarily, have you not?

Mr. ARMOUR. No; I think not.

Mr. HENY. According to these letters that I read, from Swift, it would be pretty obvious that that is what has happened, would it not, that since 1916——

Mr. ARMOUR (interrupting). I have not the figures in my mind, but we will be very glad—and I am sincere when I tell you; I am not trying to evade anything. I do not personally know. But if it is of any use to you, we have no objection to giving you our advertising expenses.

Mr. HENY. You have discussed with the other big packers the question of these remedies suggested by the Federal Trade Commission, refrigerator cars, stockyards, and cold-storage plants?

Mr. ARMOUR. Yes.

Mr. HENY. Are the five big packers in accord?

Mr. ARMOUR. I would guess so, generally speaking.

Mr. HENY. You have some pretty definite ideas, then, first, as to the refrigerator cars, as to what would happen?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Second, the stockyards, as to what interest the packers take in that question?

Mr. ARMOUR. Yes, sir.

Mr. HENY. And, thirdly, as to the cold storage plants?

Mr. ARMOUR. Yes, sir.

Mr. HENY. Do you feel you could state the others briefly?

Mr. ARMOUR. Not now.

The CHAIRMAN. As I understand, there used to be considerable exploitation of live cattle to England and other foreign countries?

Mr. ARMOUR. Yes sir, a good many years ago.

The CHAIRMAN. That has been superseded by the refrigerator ship?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. And that eliminates the waste in shipping the live animal, feeding the animal, and the shipping of the waste?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Then, for economic reasons, that business has been discontinued?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. At an earlier date there was also a big business shipping from Chicago and other western points live cattle to New York and other eastern points?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. That has been eliminated?

Mr. ARMOUR. For the same reasons.

The CHAIRMAN. The economic reasons eliminated that business?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Packing houses sprang up at Forth Worth, Kansas City, Omaha, and St. Paul, west of Chicago, largely for the same reasons?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. The elimination of waste?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Does the same reason justify the one at Denver?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. So the tendency has been, owing to economic pressure, to carry the packing houses to the farm or ranch where the live stock is produced?

Mr. ARMOUR. As near as possible, yes.

The CHAIRMAN. Your contention was that the large unit, represented by these big packing establishments, had brought about a great many economies, and efficiency in the business?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. I can see how that undoubtedly would be true. Do you compete with Swift and Morris in selling meats?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Is the competition pretty decided?

Mr. ARMOUR. Yes, sir; I think so.

The CHAIRMAN. You examine their stocks and they examine yours, in these warehouses?

Mr. ARMOUR. Yes, sir.

Mr. MEYER. May I ask, do not all the packers big and little, do that?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You, compete, then, with the small packers also in selling meat?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You compete with Swift and Morris in buying cattle?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Do you also compete with the small packers in buying cattle and hogs?

Mr. ARMOUR. Yes, sir, we compete with everybody who buys cattle.

The CHAIRMAN. You stated the other day that the small packing houses paid better than the big ones?

Mr. ARMOUR. In a percentage way, yes, sir.

The CHAIRMAN. That is the best test, I take it. In a percentage way?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Notwithstanding these economies and efficiency brought about by the big packing establishments, still, the small packing establishments realize a better profit on their investment?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Is not that, then, a strong economic reason why other packing houses should spring up?

Mr. ARMOUR. They could only do that by doing a limited business. Theoretically that goes to a certain point, and then it stops,

as any small business can only do, or always does, make a larger percentage of profit than a large business.

The CHAIRMAN. If the small packing houses located near the originating supply of cattle and hogs can realize a better percentage than the big packing houses, notwithstanding the economies and efficiencies brought about by the big packing houses, why is it that they do not multiply?

Mr. ARMOUR. I do not know. There are a great many of them. They are increasing, I think. But a small packing house will make a bigger percentage of profits up to a certain point. The minute they pass that point, then they put themselves right in the class of a big packer. They can not possibly do the business at the same margin of profit.

The CHAIRMAN. Would they incur the disfavor of the big packers if they did that?

Mr. ARMOUR. No, sir, not at all.

The CHAIRMAN. In view of the fact that there is every economic reason, looking at it generally, for their coming into existence, do you suppose the fear that the big packers should pay so much more for cattle than they could afford to, or could take less for meat than they could take, or that the banking institutions would refuse them credit, could have anything to do with their not coming into existence?

Mr. ARMOUR. No, sir. It is a matter of individualism, to a large extent.

The CHAIRMAN. Do you not think that if we could encourage the establishment of smaller units nearer the sources of supply of raw material, that would largely solve this problem?

Mr. ARMOUR. Not wholly, because there have to be enough people in a certain zone that this small packer can reach. The further west he goes, the smaller that percentage of people is.

The CHAIRMAN. You do not know anything about the letter of Swift, I suppose, in regard to the Henry plant?

Mr. ARMOUR. No, sir; I never heard of it.

The CHAIRMAN. To buy away his supplies so that he could not supply his wants?

Mr. ARMOUR. No, sir.

The CHAIRMAN. That is a weapon that could be resorted to by big packers to destroy others?

Mr. ARMOUR. Apparently. But I never heard of it before.

The CHAIRMAN. At Fort Worth you and Swift do a 50-50 business?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Also at Denver?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Swift realizes that if he should undertake to invade your 50 per cent, he would meet with pretty stubborn opposition, does he not?

Mr. ARMOUR. He would.

The CHAIRMAN. If you should undertake to invade his 50 per cent of business would you anticipate a pretty stubborn resistance?

Mr. ARMOUR. We have tried that with very little success; and they have, also.

The CHAIRMAN. You say there is no combination to do a 50-50 business?

Mr. ARMOUR. No, sir; none whatever.

The CHAIRMAN. What is it—a sort of armed neutrality?

Mr. ARMOUR. I do not know what you would call it.

The CHAIRMAN. Or truce?

Mr. ARMOUR. No, there is no armed truce or anything. Simply that if we could do 60 per cent of the business and make money, we would try to do it. But we have not been able to do it. There is a jealousy that I know that it is hard for any one else to understand.

The CHAIRMAN. You have settled down to this equilibrium, then?

Mr. ARMOUR. Yes.

The CHAIRMAN. Are there any small packers at Fort Worth?

Mr. ARMOUR. I do not think there are. There may be some.

The CHAIRMAN. Are there any at Denver?

Mr. ARMOUR. I think there is one, or two.

The CHAIRMAN. If these packing houses should try to come in at Fort Worth or Denver and get any of your 50-50, would they meet with stubborn resistance?

Mr. ARMOUR. They might. We should be just as natural as most people would.

The CHAIRMAN. I think these are natural laws that are operating.

Mr. ARMOUR. I am trying to answer your questions without evasion.

The CHAIRMAN. Then a new concern coming into Fort Worth or Denver would meet this stubborn resistance if they undertook to invade your 50 per cent, as Swift would if he undertook to invade it, would it not?

Mr. ARMOUR. Yes, except that a new concern that does a local business stands a greater chance of doing a local business, for the reason that, as a rule, the people who own the business usually work themselves, and there is a certain amount of expense that they do not have that a big packer has.

The CHAIRMAN. And I imagine a new concern would meet Swift's resistance, too?

Mr. ARMOUR. I think so.

The CHAIRMAN. Notwithstanding the fact that it would be of economic value for us to have more smaller units near the source of supply, it is hardly a practicable possibility for them to come into existence, is it?

Mr. ARMOUR. No, I would not say so, because there are a great many small packers coming into existence in Chicago. I say a great many. There are a great many. They have all grown.

The CHAIRMAN. Is that because the big packers think it is better to let these little fellows thrive in order to point at them as an example of immunity?

Mr. ARMOUR. No, I do not think there is any reason for it. No matter how big a man is, no matter how big people are, they can not hope to have all the business, and we never have gone on the theory of trying to get all the business. It is too expensive.

The CHAIRMAN. Suppose Swift and Morris would try to invade your business at Chicago. You would not throw up your hands and let them have it, would you?

Mr. ARMOUR. No, we would do the best we could to hold it.

The CHAIRMAN. And they would?

Mr. ARMOUR. Naturally.

The CHAIRMAN. And yet these little ones have come in and prospered?

Mr. ARMOUR. Yes, because, as I said a minute ago, these little packers can do a business in a limited zone. They do not have the overhead expense that a big packer has, and they do their own work, and they do their business in a cheaper way than the big packers do.

The CHAIRMAN. Then there seems to be a pretty fundamental reason for the packing houses at Chicago, if these little ones come there and succeed.

Mr. ARMOUR. Yes, sir. There are lots of little packers in Chicago who are making good money.

The CHAIRMAN. If it is so inviting a field that the new ones coming are justified in coming, there would hardly be any reason for the old ones leaving, would there?

Mr. ARMOUR. I think not.

The CHAIRMAN. I will make this further inquiry now. Whether this feeling is ill founded, or well founded; of course, you realize that there is a pretty strong feeling in this country on the part of the consumers and on the part of the producers of live stock that the big packers do manipulate the situation, and that they depress the price of live stock and enhance the price of meats practically at their pleasure. I am not asking you to pass judgment whether that feeling is well founded or not, but that feeling does exist, in a measure, does it not?

Mr. ARMOUR. Yes; I am sorry to say it does.

The CHAIRMAN. If that feeling has no foundation, if it rests on no ground of fact, do you not think it would be to the interest of the big packers and the little packers and of the consumers and the producers, to demonstrate that fact, so that no one could doubt that there was no ground for that sort of feeling?

Mr. ARMOUR. Can you tell me how?

The CHAIRMAN. No; I can not.

Mr. ARMOUR. When I ask you that, I do not ask it sarcastically. If anybody will tell me how, I will be very glad to do it.

The CHAIRMAN. I am not asking you how, but on the assumption that it could be done, should it not be done?

Mr. ARMOUR. Most decidedly.

The CHAIRMAN. If this feeling is founded upon fact, do you not think that, so far as the consumer and the producer are concerned, and the Government is concerned, that ground ought to be eliminated?

Mr. ARMOUR. If possible; yes.

The CHAIRMAN. The Federal Trade Commission has submitted four propositions. One is Government ownership and operation of live-stock cars. Do you favor or oppose that?

Mr. ARMOUR. I oppose it.

The CHAIRMAN. On what ground? Of course, the question of personal profit to you would not be involved here, I suppose. Is it a matter of efficiency?

Mr. ARMOUR. Our private car loses money, and that would be substantiated by the Federal Trade Commission. It is a matter of efficiency. That is all. To-day the railroads have the right to take our private cars. You do not have to pass any law whatever to have the packers get rid of their private cars. The railroads have the right. When the railroads got that right, they turned the private cars back to the packers.

The CHAIRMAN. Did they try running them for a while?

Mr. ARMOUR. No, sir.

The CHAIRMAN. If you would just excuse me, we are mixing up matters a little in anticipation of what I wanted to ask you.

The second proposition of the Federal Trade Commission, that I will mention, at least, is the Government ownership and operation of refrigerator cars. You are opposed to that?

Mr. ARMOUR. That is the first one, you mean?

The CHAIRMAN. No; that is the second one.

Mr. ARMOUR. You mean class both the live stock and refrigerator as one?

The CHAIRMAN. There are four items, and I am taking them up one by one.

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. You say you lose money on your refrigerator cars!

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Was the question of profit is not involved in there?

Mr. ARMOUR. It is not one bit.

The CHAIRMAN. It is a question of efficiency?

Mr. ARMOUR. That is all, nothing else, and having the cars.

The CHAIRMAN. The next is the stockyards. They recommend Government ownership and operation of the stockyards. Do you favor or oppose that?

Mr. ARMOUR. We personally think that the efficiency of the stockyards is the only thing we are interested in now, and if the Government can run the stockyards as well as the packers run them—which we do not think they can—we have no objection to their owning the stockyards.

The CHAIRMAN. Is the same thing true of the branch houses and the cold-storage plants?

Mr. ARMOUR. No, the same thing is not true of the branch houses and cold-storage plants in our houses. We do not think we can run our business without our branch houses. We can run our business without the ownership of the stockyards.

The CHAIRMAN. And refrigerator cars?

Mr. ARMOUR. We can providing we are sure of enough cars. We can not run our business with outside ownership of branch houses. It is not feasible, and it would not work. It may seem theoretically all right, but practically it is not all right, and will not work. We have no objection to the Government building branch houses, leaving our branch houses alone to work, and if they want branch houses for the other people who have not got branch houses, let them build them and furnish them. It is not that we have any objection to anybody having the same equipment that we have, only that we do not think it would be wise to take away our equipment. Give them equipment if you want to, and leave our branch houses with us. We have no ob-

jection at all to their having just as good equipment as we have, but we do know that the minute the Government goes into our branch houses, we will have to run them, because the Government can not run them, and I say that without any disrespect to the Government.

The CHAIRMAN. You regard those as just as essential as the machinery with which you pack meats?

Mr. ARMOUR. Just as essential as our ice machines, exactly. But if the Government wants to give branch houses to the other people, the small packers, we have no objection.

The CHAIRMAN. What about the icing plants?

Mr. ARMOUR. We own no icing plants. They are all turned over to the railroads.

The CHAIRMAN. How does that work?

Mr. ARMOUR. They have just gone over to the railroads the last year. But we do not care about that, because it is the same job tomorrow that it was yesterday. It is the same thing over and over again, and it is not a difficult thing to do, simply hauling ice to the cars. It is not a difficult thing.

The CHAIRMAN. So the Government runs that all right?

Mr. ARMOUR. No, the Government does not run it, the railroads run it.

The CHAIRMAN. I have been asking you particularly with reference to Government ownership and operation of these utilities, because that was the recommendation of the Federal Trade Commission. Do the same objections apply to the ownership and operation of these utilities by the railroads?

Mr. ARMOUR. The stock cars, refrigerator cars, and stockyards, I think so. I can answer that question better by telling you that I met Mr. Chambers this morning, and I told Mr. Chambers that I was here to have a meeting, and probably we would have to turn the cars over to them. I said it really in a joking way. He said, "We don't want your refrigerator cars. We can not run them as well as the packers run them." You know who Mr. Chambers is. He is a practical man, and I would suggest that you send for him. He now works for the Government.

Mr. HENRY. You might get Mr. Brooks, his assistant—Mr. Swift's traffic man.

The CHAIRMAN. So that you object to the four plans recommended by the Federal Trade Commission, these four utilities being administered by the Government, and you think the same objection would apply if they were administered by the railroads, excepting as to the icing plants?

Mr. ARMOUR. Yes.

The CHAIRMAN. Have you any suggestions to offer as to how to remove this prejudice, if we called it a prejudice—and of course if it is unfounded it is a prejudice.

Mr. MAYER. Mr. Chairman, if I may break in there, Mr. Armour and I have been discussing, as impartial citizens of this country, beginning last evening and a very little to-day, that question. I do not say we can evolve any theory for it. We are not blind to the criticism that exists, nor to the necessity, if it can be accomplished, of developing some plan. Mr. Armour and I had a discussion about that for several hours yesterday and very slightly again to-day. I have not discussed it with any of the other packers.

The CHAIRMAN. Will you be able to submit that later on?

Mr. MAYER. We could not submit it to-day. It has not been talked over, and it has not even been suggested, to any of the other packers.

The CHAIRMAN. Will you submit it later?

Mr. MAYER. I will be pleased to, if Mr. Armour is agreeable.

Mr. ARMOUR. We have an idea, and it may be a poor one, but I do not think it is fair to the industry, for Armour & Co. to submit a plan without submitting it to the other packers.

Mr. MAYER. The large and small packers, Senator Gore.

The CHAIRMAN. Will you gentlemen see that whatever views you evolve are submitted?

Mr. ARMOUR. Yes, sir.

The CHAIRMAN. Here is what I am driving at. We want to get down to something practical, if we can arrive at it, and I would like to say this, speaking for myself alone—although I think my views are shared by the committee—that I am in favor of efficiency and economy in the business of this country, and I want business to prosper. I think it is to everybody's advantage to have it prosper. It is not to anybody's interest to have business languishing in this subject, and I do not want to pass legislation that will merely make difficult a thing that is indispensable to society. That does not get you anywhere. But I realize the feeling which exists here, and if it is founded on facts, I want legislation to meet the facts. If it is not founded on facts, then we want legislation adopted that will disabuse people's minds of it.

Mr. MAYER. We can not do it over night, Senator Gore; we can not do it in two days. Mr. Armour will confer with the other packers, when they get through testifying here and if we can evolve even a skeleton which will give you something to think about, we will promise to do it.

The CHAIRMAN. I would be glad to have that concrete suggestion before the committee to consider, and I want something that will convince the consumers and convince the producers that they are both getting a square deal. I think that is to their interest, and I think it is to the interest of the packers in the long run, and if they are getting a square deal now, I think they ought to be convinced of it. If they are not getting a square deal, I think we ought to do whatever is necessary to see that they do get a square deal.

Mr. MAYER. Mr. Chairman, speaking as a citizen who has been sitting here listening to this inquiry, and as a lawyer who is a little careful of his reputation and standing, I shudder at the possibilities of the consequences of some of these suggestions—and this is not at all by way of criticising anybody. I believe that the Federal Trade Commission undoubtedly felt that in making these recommendations it was doing what the Federal Trade Commission thought would accomplish good. It is my conviction, based not merely on one week's presentation of this matter before committees of the Senate and House, but on some years of observation that many of their suggestions would prove disastrous. They may be right and I may be wrong, but I think if you will give us the opportunity we may be able to evolve some plan. Bear in mind, Mr. Chairman, we have never been asked to suggest anything, but we have come here, we are happy to come here, and I assure you I mean what I tell you.

The CHAIRMAN. Speaking for myself as chairman of the committee, and, I think, expressing the sentiment of the members of the committee, we will be very glad to have any suggestions you may make and consider them seriously. I want suggestions from every quarter.

Mr. MAYER. I will say we have never been asked before for a suggestion. The door has been closed on us, and that is why we hail with more than ordinary pleasure—I will not say the right, but the privilege of appearing before this committee and the House committee.

The CHAIRMAN. I will say it is a right. We realize it is an indispensable industry. It has got to be carried on.

Mr. MAYER. It is the leading industry in this country, and in the world.

The CHAIRMAN. And nobody ought to heckle it merely for the purpose of heckling it, but there is a situation in this country that ought to be corrected one way or another.

Senator GRONNA. I would like to say this, Mr. Chairman, that I do not think any member of this committee wants to pass legislation that will simply hamper the industry, unless it is going to bring better results. But I wanted to ask Mr. Armour one or two questions.

You stated that the branch houses were indispensable. You did not use the word "indispensable."

Mr. ARMOUR. Yes, sir; I will use that word.

Senator GRONNA. But I take it that they are.

Mr. ARMOUR. They are, sir.

Senator GRONNA. They are a very important factor in the distribution of food products. Is it possible for any industry to succeed unless they have some way of controlling the market for their products—any great industry?

Mr. ARMOUR. Of course any large industry has to have branch houses. These reasonably small packing houses do not necessarily have to have branch houses, because they only reach a zone that they can take care of. But the minute you become a large factor, no matter whether it is us or Kingan or anybody else, you have to have a certain number of branch houses. Kingan has branch houses; I mention them as an illustration.

Senator GRONNA. Let us apply it to industries outside of manufacturing industries. Now, you take the stock raiser, for instance—

Mr. ARMOUR. Oh, I think it applies to anybody who does a large business.

Senator GRONNA. The stock raiser produces the stock, but he has nothing to say about it or the conditions. That really is the chief element on which the big packers and the stock raisers come in opposition to each other?

Mr. ARMOUR. Yes, sir; they ought to get together in some way.

Senator GRONNA. Instead of having a middleman there, or instead of having the packers control the stock yards absolutely, do you not think it would be better and fairer to have the stock raisers own them?

Mr. ARMOUR. No matter who owns the stockyards, we may make a profit by owning the stockyards, but that profit does not come either directly or indirectly from any purchase or sale of live stock.

It comes from the yardage. Now, if there is a difference between the live-stock raiser and the packer, that is not going to be eliminated one bit. It will be just as bad, if it does exist, if we own the stockyards, or if, for existence, you own the stockyards. Assuming you owned the stockyards, and we buy cattle and buy hogs, there would be just as bad a condition existing. Any difference will not be patched up because we sell the stockyards to anybody else.

Senator GRONNA. I do not know that I made myself clear in asking the question. My idea is this: No stock raiser questions the right of the packer to make a profit; they do expect the packer to make a profit, but there are certain real abuses in the stockyards business. For instance, as has been brought out here by Mr. Heney, if you take a yard where a million dollars was invested, I do not care whether the capital stock is increased from the profits that are made, or by the addition of what you call "water," that necessarily increases the cost to the producer. You could reduce the expense of yardage and feeding if it were kept down, in making a tremendously large profit and not only doubling the capital stock but multiplying it several times. Necessarily that is going to increase the cost to the producer. For instance, you increase that \$1,000,000 stock to \$8,000,000. You will have to charge a great deal more or you will have to do a great deal more business in order to earn dividends upon the \$8,000,000. I think that is wrong and I think that is one of the great abuses that ought to be corrected.

The CHAIRMAN. Mr. Mayer, let me make this observation. As I conceive this, the producers and the packers and the consumers are the three parties in interest; whether equally in interest or not, they are vitally interested. I want some plan worked out that will safeguard the interests of each and all. I do not believe that any plan that commits to one of the parties or even to two of the parties absolute control of the situation, will fill the need. If we can work out a plan that will satisfy everybody, we want to do it, and if we can not work out a plan that will satisfy everybody, I want to work out one that ought to satisfy them; that is, one that secures justice. I do not think we can reveal the fundamental laws of economics, but we can violate them, and if we do, we have to pay the penalties. Sometimes it may be wise to pay the penalty; it may be justified by necessity. I want to work out some plan that will not sacrifice any legitimate interest. That may be an idealistic dream, but that is what is in my mind, and we would like to have suggestions from anywhere.

(Thereupon, at 6.20 o'clock p. m., the committee adjourned to meet at 10 a. m. to-morrow, Tuesday, January 28, 1919.)







